# Michigan Deptartment of Treasury 496 (2-04) Auditing Procedures Report Issued under P.A. 2 of 1968, as amended.

	vernment Typ		as amended.		Local Governme	ent Name		Cou	ntv	
✓ City	Tov	vnshi		Other	CITY OF S			l l	CLA	IR
9/30/0			Opinion ( 12/8/0			Date Accountant Report Sul 3/30/05	bmitted to State:			
Financia	nce with t Il Statemer	he S	Statements of	the Govern	mental Accou	government and render noting Standards Board of in Michigan by the M	d (GASB) and	the Uniforn	n Ren	nents prepared orting Format t
We affir										
1. We	have comp	olied	with the Bulleti	in for the Au	idits of Local U	Inits of Government in I	<i>Michigan</i> as revi	sed.		
2. We	are certifie	d pu	blic accountant	ts registered	d to practice in	Michigan.				
We furth commen	er affirm thats and rec	ne fol omm	llowing. "Yes" r endations	esponses h	ave been discl	losed in the financial st	atements, includ	ling the note	es, or i	n the report of
You mus	t check the	app	licable box for	each item b	elow.					
Yes	<b>√</b> No	1.	Certain comp	onent units/	funds/agencie	s of the local unit are e	xcluded from the	e financial s	statem	ents.
Yes	<b>√</b> No	2.	There are ac 275 of 1980).	cumulated of	deficits in one	or more of this unit's	unreserved fund	d balances/r	retaine	d earnings (P.A
Yes	<b>√</b> No	3.	There are insamended).	stances of	non-complianc	e with the Uniform Ad	ccounting and B	Budgeting A	ct (P./	A. 2 of 1968, a
Yes	<b>✓</b> No	4.	The local uni	it has viola or an order	ted the condit	ions of either an orde the Emergency Munici	er issued under pal Loan Act.	the Munici	ipal Fi	nance Act or it
Yes	<b>√</b> No	5.	The local unit as amended [	t holds dep MCL 129.9	osits/investme 1], or P.A. 55 o	nts which do not comp of 1982, as amended [N	ply with statutor MCL 38.1132]).	y requireme	ents. (i	P.A. 20 of 1943
Yes	<b>√</b> No	6.	The local unit	has been d	elinquent in dis	stributing tax revenues	that were collect	ted for anoti	her ta	xing unit.
Yes	<b>√</b> No	7.	pension bene	fits (normal	costs) in the	cutional requirement (A current year. If the pla equirement, no contribu	n is more than	100% funde	ed and	the overfunding
Yes	✓ No	8.	The local unit	t uses cred	it cards and h	nas not adopted an ap	oplicable policy	as required	by P	.A. 266 of 1999
Yes	✓ No	9.	The local unit	has not add	pted an invest	ment policy as required	d by P.A. 196 of	1997 ( <b>M</b> CL	129.9	5).
We have	enclosed	l the	following:				Enclosed	To B Forwar		Not Required
The lette	er of comm	ents	and recommer	ndations.			1			
Reports	on individu	al fe	deral financial	assistance	programs (prog	gram audits).				<b>√</b>
Single A	udit Repor	ts (A	SLGU).							<b>✓</b>
	ublic Account	•	irm Name) DMPANY CP	AS						
Street Add	ress RROW L	ANE				City SAGINAW		State MI	ZIP 486	603
Accountan	t Signature	n 1	with Or	Sint	maria	1		Date	I	

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#### INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and Members of City Council City of St. Clair, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of St. Clair, Michigan as of and for the year ended September 30, 2004, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of St. Clair management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of St. Clair, Michigan, as of September 30, 2004, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

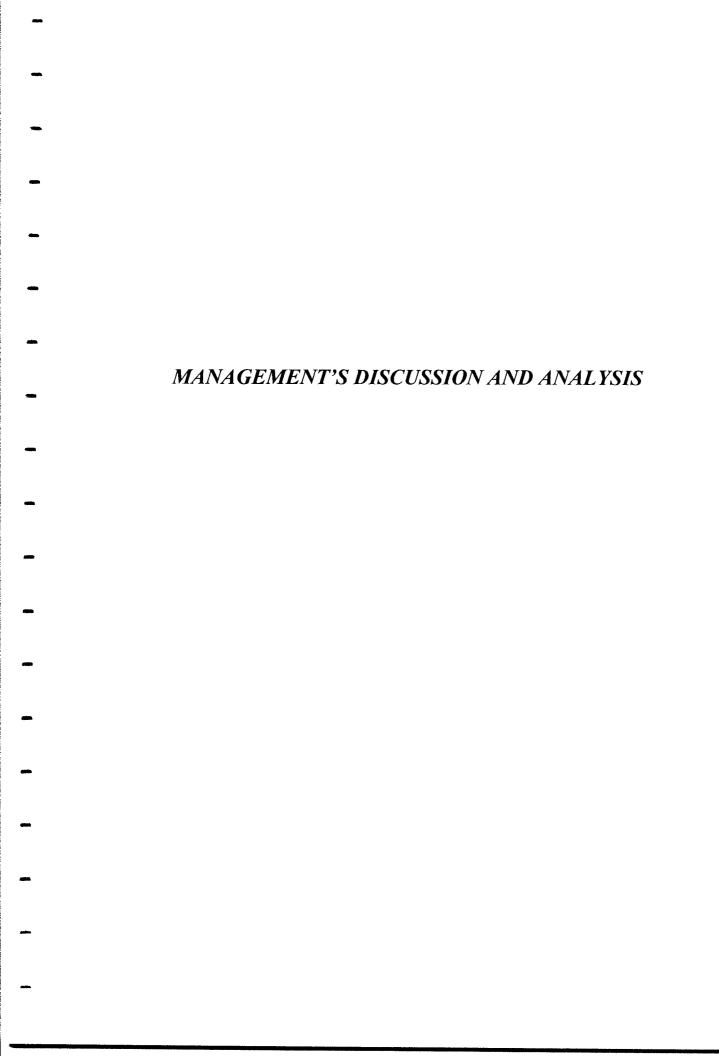
The management's discussion and analysis and budgetary comparison schedules, as identified in the table of contents, are not a required part of the basic financial statements but are supplemental information required by the accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquires of management regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of St. Clair's basic financial statements. The accompanying other supplemental information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The other supplemental information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

As described in Note 14, the City has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, and related statements, as of October 1, 2003.

Butherine & Co.

December 8, 2004



#### MANAGEMENT'S DISCUSSION AND ANALYSIS

#### **Overview of the Financial Statements:**

The 2004 financial statements of the City of St. Clair follow a different format than in previous years. These financial statements have been changed to comply with the reporting requirements of the Government Accounting Standards Board Statement No. 34. The basic financial statements include two kinds of statements that present different views of the City. The first two statements are government-wide financial statements that provide both short-term and long-term information about the City's status. The remaining statements are fund financial statements that focus on individual parts of the City's operations.

#### **Government-wide Financial Statements:**

The government-wide financial statements report information about the City as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide financial statements report the City's net assets and how they have changed. Net assets – the difference between the City's assets and liabilities – are one way to measure the City's financial health.

The government-wide financial statements of the City are divided into three categories:

<u>Governmental Activities</u> – Most of the City's basic services are included here, such as the public safety, public works, and recreation departments, and general administration. Property taxes, Stateshared revenue, charges for services, grants, and transfers provide much of the funding.

**Business-type Activities** – The City charges fees to customers to help it cover the costs of certain services it provides. The City's golf course, sewer and water systems, harbor, and rubbish and garbage collections are included here.

<u>Component Units</u> – The City includes the Local Development Finance Authority and Downtown Development Authority in its report.

#### **Fund Financial Statements:**

The fund financial statements provide more detailed information about the City's most significant funds – not the City as a whole. Funds are accounting tools that the City uses to keep track of specific sources of funding and spending for particular purposes. Some funds are required by State law and bond covenants. The City Council establishes other funds to control and manage money for particular purposes.

The City has three kinds of funds:

<u>Governmental Funds</u> — Most of the City's basic services are included in governmental funds, which focus on how cash and other financial assets that can be converted to cash flow in and out, and the balance left at year end that is available for spending. The governmental fund statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

<u>Proprietary Funds</u> – Services to which the City charges customers a fee are generally reported in proprietary funds. Proprietary fund statements, like government-wide statements, provide both short-and long-term financial information.

<u>Fiduciary Funds</u> – The City is responsible for ensuring that the assets in these funds are used for their intended purposes. We exclude these activities from the government-wide financial statements because the City cannot use these assets to finance its operations.

#### Financial Highlights:

- Assets of the City exceeded its liabilities at the end of the fiscal year by \$22,369,361 (net assets), an increase of \$338,271 from the previous year. Of the \$22.4 million reported in net assets, approximately \$5.3 million may be used to meet the ongoing obligations to citizens and creditors (unrestricted net assets).
- Net assets of our governmental activities increased \$224,833, or 2.6 percent, while net assets of our business-type activities increased \$113,438, or 0.8 percent.
- Unrestricted net assets for governmental activities are 55.9 percent of expenses. Unrestricted net assets for business-type activities are 92 percent.
- The General Fund reported expenditures less than revenues of \$319,803 for the year. This resulted in a year end fund balance of \$1,363,278. Of this amount, \$893,424 is unreserved and undesignated, or 28.7 percent of General Fund expenditures.
- The City received \$170,495 in donations offsetting a like amount of purchases of materials and other assets retained by the City.
- The City completed two major purchases of land located within the City. First, a 2.16 acre parcel was purchased from the State Police, and a 1.1 acre parcel adjacent to the CSX railway purchased by the Harbor for \$92,000.
- DPW wages paid by the General Fund increased 41% over the original budget, largely due to a decrease in hours worked in other Funds.

#### The City as a Whole:

The City's combined net assets are \$22.4 million at September 30, 2004. Business-type activities make up \$13.6 million and governmental activities make up \$8.8 million of the total. Future reports will provide an analysis of comparative data from the statement of net assets and statement of activities. Comparative data is not required during the first year of reporting under GASB No. 34, and therefore, a comparative condensed statement of net assets and condensed statement of activities is not part of the management's discussion and analysis.

#### City of St. Clair - Net Assets:

As noted earlier, the City's assets exceed its liabilities at the end of the fiscal year by \$22,369,361 (net assets). However, a major portion (72 percent) of the City's net assets represents its investment in capital assets (e.g., land, infrastructure, buildings, and equipment) less any related debt used to acquire or construct these assets. The City uses these assets to provide services to its citizens; thus, these assets are not available for spending.

Unrestricted net assets of the City were \$5,332,892 at the end of this year. This amount represents the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements.

Furthermore, the City is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities.

The following table depicts a condensed statement of net assets at September 30, 2004.

	/	Primary Governme	nt
	Governmental	Business-type	
	<u>Activities</u>	Activities	Total
	<u> 2004</u>	2004	2004
Assets:			
Current and other assets	\$ 6,263,038	\$ 4,261,359	\$ 10,524,397
Capital assets	8,027,222	18,206,652	26,233,874
Total assets	14,290,260	22,468,011	36,758,271
Liabilities:			
Long-term liabilities	2,026,354	8,313,644	10,339,998
Other liabilities	3,477,701	571,211	4,048,912
Total liabilities	5,504,055	8,884,855	14,388,910
Net assets:			
Invested in capital assets, net of related debt	5,915,572	10,147,706	16,063,278
Restricted	354,366	618,825	973,191
Unrestricted	2,516,267	2,816,625	5,332,892
Total net assets	\$ 8,786,205	\$ 13,583,156	\$ 22,369,361

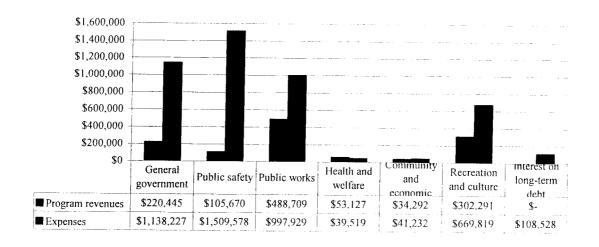
The following table depicts the changes in net assets for 2004:

		Primary Governm	ent
	Governmental	Business-type	
	Activities	Activities	Total
Revenues:			
Program revenues:			
Charges for services	\$ 498,382	\$ 2,747,798	\$ 3,246,180
Operating grants and contributions	653,439	10,000	663,439
Capital grants and contributions	52,713	-	52,713
General revenues:			2-,,73
Property taxes	2,696,317	395,763	3,092,080
Franchise taxes	107,169	-	107,169
State revenue sharing - sales tax	529,029	-	529,029
Investment earnings	87,220	73,010	160,230
Miscellaneous	64,803		64,803
Total revenues	4,689,072	3,226,571	7,915,643
Expenses:			_
General government	1,138,227		1 120 22
Public safety	1,509,578	-	1,138,227
Public works	997,929	-	1,509,578
Health and welfare	39,519	-	997,929
Community and economic development	41,232	-	39,519
Recreation and culture	669,819	-	41,232
Interest on long-term debt	108,528	-	669,819
Municipal golf course	100,320	267.206	108,528
Sewer	-	367,395	367,395
Water	-	1,231,634	1,231,634
Harbor	-	786,355	786,355
Rubbish and garbage	-	468,465	468,465
- •	_	208,505	208,505
Total expenses	4,504,832	3,062,354	7,567,186
Excess (deficiency) of revenues over expenses	184,240	164,217	348,457
Contributions, Special Items, and Transfers:			
Contributions to principal of permanent funds	2,225		2 225
Special item - sale of assets	5,900	-	2,225
Transfers	32,468	(50,779)	5,900
Total contributions, special items, and transfers			(18,311)
	40,593	(50,779)	(10,186)
Increase (decrease) in net assets	224,833	113,438	338,271
Net assets, beginning of year	8,561,372	13,469,718	22,031,090
Net assets, end of year	\$ 8,786,205	\$ 13,583,156	\$ 22,369,361

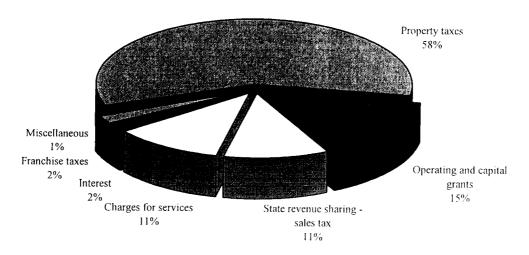
#### **Governmental Activities:**

For the year ended September 30, 2004, revenues for the City's governmental activities totaled \$4.7 million. Property taxes accounted for 58 percent of the total revenues, or \$2.7 million. State-shared revenues were 11 percent, or \$529,029. This is a decline of 9.5% from the previous year when they totaled \$584,692. These revenues continue to be a concern as to future funding levels. As indicated in the graph below, most governmental activities are funded largely with taxes and grants; user fees or other program revenues make up about 26.7% of the amount necessary to cover expenditures. During the year, the City continued meeting the actuarial required contributions for the defined benefit pension system managed by MERS. At the current time, no funding is set aside to provide for retiree health care benefits; the City operates on a pay-as-you-go basis.

### Governmental Activities Program Revenues and Expenses



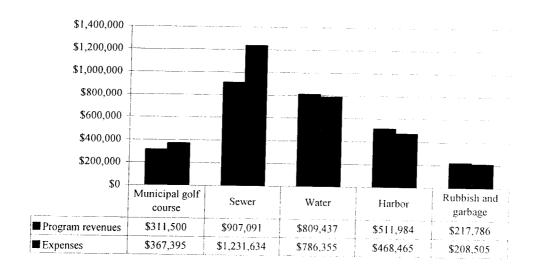
## Governmental Activities Revenue by Source



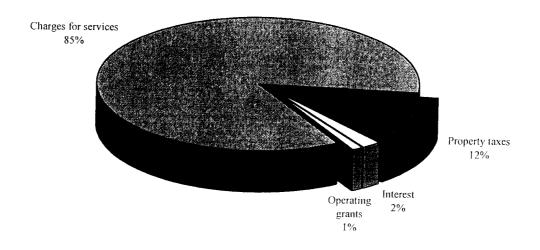
#### **Business-type Activities:**

For the year ended September 30, 2004, revenues for business-type activities were \$3.2 million. Charges for services were 85 percent of gross revenues, or \$2.7 million. Interest income on investments was 2 percent of gross revenues, or \$73,010. Property taxes were 12 percent of gross revenues, or \$395,763; these property taxes are used to make payments on debt incurred for the sewer and water systems.

# Business-type Activities Program Revenues and Expenses



## **Business-type Activities Revenue by Source**



The City has four business type-activities: the municipal golf course, sewer and water systems, harbor and rubbish and garbage collection. In total, these four activities generated \$2,747,798 in charges for services, and incurred \$3,062,354 in expenses. In addition, general revenues for business-type activities were \$468,773. There was \$50,779 in transfers to other funds. The City's business-type activities experienced an increase in net assets of approximately \$113,000 for the year.

The effects of the error discovered in Tetratech's Water and Sewer rate study caused operating revenues to drop to less than 73.6% of expenses, a loss of \$324,543 during the period before the error was discovered. As we phase in rate increases this year and next to counteract this trend, operating cash will not be consumed to meet the debt payments of the retention basins built near the Sewer Plant. Tetratech has already reimbursed the City for the costs of the study, and will also be billed for the lost interest on the cash not collected as a result of the error. The Water, Harbor, and Rubbish Funds all enjoyed some degree of profitability of 2.9%, 9.3%, and 4.5% respectively. Pine Shores notably lost nearly \$56,000, however their cash position relative to previous years has improved (net cash flow improved by 67% to a loss of \$13,116). This results from the rather large depreciation (a non-cash expense) expense recorded every year, which acts to cover the costs of the bond for building construction in 1996.

#### Capital Assets and Debt Administration:

At the end of the fiscal year 2004, the City has \$39,428,557 invested, before depreciation, in a wide range of capital assets, including land, buildings and improvements, equipment, furniture and fixtures, site improvements, vehicles, and distribution systems. In addition, for the first time, the City is reporting infrastructure assets if any were acquired since October 1, 2003. Infrastructure assets include roads, bridges, sidewalks, storm drains, and other immovable assets.

Debt of \$2,023,354 related to the construction and acquisition of the above-mentioned capital assets is reported as a liability in the governmental activities in the statement of net assets. During the year ended September 30, 2004, the City refunded several bonds:

1994 Building Authority Bonds (DPW building construction) 1996 Building Authority Bonds (Golf Course clubhouse, LDFA construction) 1996 GO Sewer Separation Revenue Bonds

Refunding is a form of refinancing, where the payments on specific bonds can be funded with less expensive money acquired with reduced interest rates. This reduced the cost of the bonds originally pledged for. All issues were sold in January, 2004, with a Standard & Poor's rating of "A".

Debt related to the business-type activities' capital assets totaling \$8,313,644 is recorded as a liability in the business-type activities in the statement of net assets. The City also continued to receive reimbursements from the State Drinking Water Revolving Fund for the construction of our retention basins. The project has not been completed by September 30, 2004, and thus there is not a final value of the loan. It was originally capped at a maximum of \$5,065,000.

#### The City's Funds:

The fund financial statements begin on page 14 and provide detailed information on the most significant governmental funds – not the City as a whole. The City Council creates funds to help manage money for special purposes, as well as to show accountability for certain activities, such as special property tax millages. The City's major governmental funds for 2004 include the General Fund, Major Street Fund, and Local Street Fund.

The City's governmental funds reported combined fund balance of \$1,970,554 for this year, an increase of \$47,138 from last year. Included in this increase is the General Fund's excess of revenues over expenditures of \$319,803. The General Fund pays for most of the City's governmental services. The most significant of these are police and fire, which incurred expenditures of \$1,072,486. General operating millage levied by the City supports these services. General administration expenses were \$907,374, followed by insurance and other employee benefit costs of \$403,552. These two areas represent the second and third largest portions of General Fund expenditures.

#### General Fund Budgetary Highlights:

Differences between the original and final amended budgets for revenues and expenditures were relatively minor. General Fund revenues were not adjusted, as their estimate exceeded the original budget by \$83,678. Expenses in the General Fund varied by as little as 6% to as much as 275%. The reasons the differences occurred were largely due to a large increase in public capital improvements (from \$80,000 to \$220,000), which were largely offset by donations received in the General Fund. Unallocated expenses, operating transfers, City Council and the Police Department were all reduced by a combined \$143,889. The estimated year end position on the budget amendments requested of council in September was an increase in net assets of \$3,650.

#### **Economic Factors:**

The City continues to maintain positive fund balances in each of its funds. However, concerns arise when considering the revenues and expenses that the City is facing in upcoming years. The major sources of revenue for the City are property taxes, State-shared revenues, and charges for services. These sources have certain limitations outside of the City's control – taxable value of property in the City has remained flat, resulting in small increases in property taxes; the State of Michigan has experienced budget deficits and has reduced revenue-sharing payments to local governments to help in reducing their deficit; and the economy has restricted the City in what it can charge its customers.

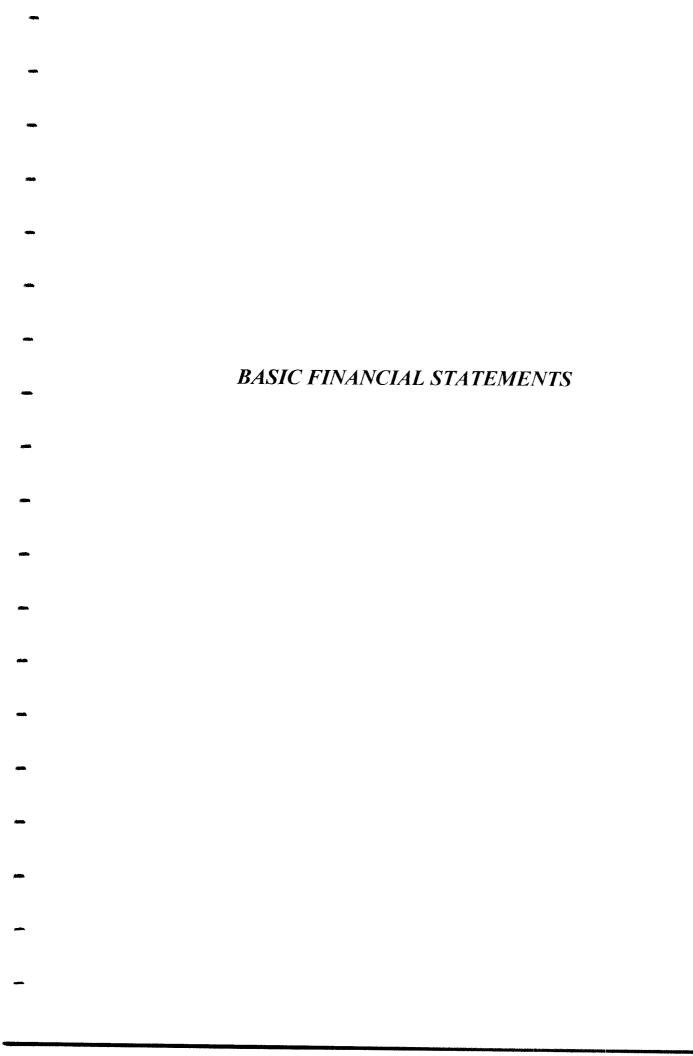
Retiree health care will also have a profound effect on the City's finances in the near future. Slightly more than half of the City's employees eligible for retirement will qualify in the next 10 years. The City currently provides retirees health care coverage until the employee reaches the age necessary to qualify for Medicare (65). In the City's pay-as-you-go retiree health plan, there are no assets set aside to pay for this additional cost; it has to come out of current revenues. This 'Baby Boom' reality necessitates the creation of a plan to mitigate the requirements of providing this health care for retirees.

The Industrial Park remains vacant as well. The City is obligated by the Michigan Economic Development Corporation who gave us the grant to develop the park alongside our own funding to create jobs in the park to mitigate the requirement of repayment of the original grant (see Note 12). The state of the economy being what it is, finding companies to occupy the land has proved difficult. Alternative enticements have been explored to enhance our ability to land the first occupant.

We are continuing to plan for the long term, and will continue to balance the budgets through controls over spending, while striving to provide the City's residents with the same level of service to which they have become accustomed.

#### Contacting the City's Financial Management:

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact John Jesionowski, Finance Director, 547 N. Carney Drive, St. Clair, Michigan, 48079.



#### STATEMENT OF NET ASSETS

September 30, 2004

	Pr	imary Governi	ment	
	Governmental	Business-type	e	Component
	Activities	Activities	Total	<u> Units</u>
Assets:				
Cash and cash equivalents	\$ 3,716,627	\$ 2,423,683	\$ 6,140,310	g 200 522
Receivables	2,258,035	980,161	, , ,	\$ 209,532
Internal balances	-,200,000	700,101	3,236,190	10,585
Prepaid items and other assets	288,376	221,558		10,383
Inventory	_	17,132		-
Restricted cash and cash equivalents	~	618,825	618,825	-
Capital assets:		3,0,020	010,023	-
Nondepreciable capital assets	2,179,445	5,759,275	7,938,720	_
Depreciable capital assets, net	5,847,777	12,447,377	18,295,154	
Total assets	14,290,260	22,468,011	36,758,271	220,117
Liabilities:				
Accounts payable and accrued expenses	656,198	175,082	831,280	3,781
Deferred revenue	2,821,503	396,129	3,217,632	17,668
Long-term liabilities:		,	2,217,022	17,008
Due within one year	271,034	508,422	779,456	37,293
Due in more than one year	1,755,320	7,805,222	9,560,542	241,753
Total liabilities	5,504,055	8,884,855	14,388,910	300,495
Net assets:				
Invested in capital assets, net of related debt	5,915,572	10,147,706	16,063,278	(279,046)
Restricted for:	. ,	,,	70,003,270	(277,040)
Debt service	91,676	618,825	710,501	_
Capital projects	(265,738)	-	(265,738)	_
Streets	273,735	-	273,735	_
Nonexpendable cemetery principal	212,270	-	212,270	_
Expendable library trust	42,423	-	42,423	_
Unrestricted	2,516,267	2,816,625	5,332,892	198,668
Total net assets	\$ 8,786,205	\$ 13,583,156	\$ 22,369,361	\$ (80,378)

#### STATEMENT OF ACTIVITIES

Year Ended September 30, 2004

			Program Reven	ues	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Net (Expense) Revenue
Functions/Programs					
PRIMARY GOVERNMENT:					
Governmental activities:					
General government	\$ 1,138,227	\$ 156,645	\$ 63,800	\$ -	\$ (917,782)
Public safety	1,509,578	93,604	12,066	-	(1.403,908)
Public works	997,929	6,711	456,217	25,781	(509,220)
Health and welfare	39,519	53,127	-	-	13,608
Community and economic development	41,232	7,360	-	26,932	(6,940)
Recreation and culture Interest on long-term debt	669,819 108,528	180,935	121,356	<u>-</u>	(367,528) (108,528)
Total governmental activities	4,504,832	498,382	653,439	52,713	(3,300,298)
Business-type activities:					
Municipal golf course	367,395	311,500	-	_	(55,895)
Sewer	1,231,634	907,091	-	-	(324,543)
Water	786,355	809,437	-	-	23,082
Harbor	468,465	501,984	10,000	•	43,519
Rubbish and garbage	208,505	217,786	_		9,281
Total business-type activities	3,062,354	2,747,798	10,000	-	(304,556)
Total primary government	\$ 7,567,186	\$ 3,246,180	\$ 663.439	\$ 52,713	<u>\$ (3.604,854)</u>
COMPONENT UNITS:					
Downtown development authority	\$ -	\$ -	\$ -	\$ -	\$ -
Local development finance authority	30,340		-		(30,340)
Total component units	\$ 30,340	\$ -	\$	\$ -	\$ (30,340)

continued

	P	rimary Governm	ent	
		Business-		-
	Governmental <u>Activities</u>	type Activities	<u>Total</u>	ComponentUnits
Changes in net assets				
Net (Expense) Revenue	\$ (3,300,298)	\$ (304,556)	\$ (3,604,854)	\$ (30,340)
General revenues:				
Taxes:				
Property taxes, levied for general purpose	2,357,963	-	2.357,963	32,787
Property taxes, levied for roads	237.800	-	237,800	-
Property taxes, levied for police protection	-	-	-	_
Property taxes, levied for debt service	100,554	395,763	496,317	-
Payment in lieu of property taxes	~	~	_	-
Franchise taxes	107,169	-	107,169	-
Grants and contributions not restricted to				
specific programs	529,029	-	529,029	_
Unrestricted investment earnings	87,220	73,010	160,230	3,985
Miscellaneous	64,803	-	64,803	-
Contributions to principal of permanent funds	2,225	-	2,225	-
Special item - Gain on sale of capital asset	5,900	-	5.900	_
Transfers	32,468	(50,779)	(18,311)	18,311
Total general revenues, contributions,				
special items and transfers	3,525,131	417,994	3,943,125	55,083
Change in net assets	224,833	113,438	338.271	24,743
Net assets, beginning of year	8,561,372	13,469,718	22,031,090	(105,121)
Net assets, end of year	\$ 8,786,205	\$ 13,583,156	\$ 22,369.361	\$ (80,378)

#### GOVERNMENTAL FUNDS

#### **BALANCE SHEET**

September 30, 2004

		General Fund		Major Street Fund		Local Street Fund		Nonmajor overnmental Funds	<i>G</i> .	Total overnmental Funds
Assets: Cash and cash equivalents	\$	1,716,311	\$	195.211	\$	161.888	\$	869.624	\$	2,943,034
Taxes receivable	Ψ	1,416,027	Ψ,	106,019		103.069	.D	61,086	Ψ	1,686,201
Accounts receivable		14.399		-		-		2,574		16,973
Special assessments receivable		-		_		_		40,882		40,882
Notes receivable		-		_		_		5,678		5.678
Accrued interest receivable		62,215				_		4,057		66,272
Due from other governmental units		109,813		45,172		18,140		61.705		234,830
Due from other funds		30,251		-		-		-		30,251
Prepaid expenditures		288,376		-		-		-		288,376
Advance receivable from other funds		181,478	-					-		181,478
Total assets	\$	3,818,870	\$	346,402	<u>\$</u>	283,097	\$	1,045,606	\$	5,493,975
Liabilities and Fund Balances:  Liabilities:  Accounts payable										
and accrued expenses	\$	75,004	\$	2,525	\$	4,229	\$	22.806	\$	104.564
Due to other funds	Ф	73,004	Ф	2,323	D.	4,229	Þ	30.251	ď.	104,564
Deposits payable		10,180		_				47,683		30,251 57,863
Advance payable to other funds		-		_		_		462,638		462,638
Deferred revenue		2,370,408		176,967		172,043		148,687		2,868,105
Total liabilities		2,455,592		179,492		176.272		712,065		3,523,421
Fund balances:										
Reserved for:										
Prepaid expenditures		288,376		-		-		_		288.376
Debt service		-		-		-		91,676		91,676
Advance receivable		181,478		-		-		-		181,478
Nonexpendable cemetery principal		-		-		-		212,270		212,270
Expendable library trust		-		-		-		42,423		42,423
Unreserved:										
Undesignated, reported in:										
General fund		893,424		-		-		-		893,424
Special revenue funds		-		166,910		106,825		252,910		526,645
Capital projects funds		~				-		(265,738)		(265,738)
Total fund balances		1,363,278		166,910		106,825		333,541		1,970,554
Total liabilities and fund balances	\$	3,818,870	\$	346,402	\$	283,097	\$	1,045,606	\$	5,493,975

Net assets of governmental activities

# RECONCILIATION OF FUND BALANCES OF GOVERNMENTAL FUNDS TO NET ASSETS OF GOVERNMENTAL ACTIVITIES

September 30, 2004

Total fund balances for governmental funds		\$ 1,970,554
Total net assets reported for governmental activities in the statement of of net assets is different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.		
Governmental capital assets	10,971,204	
Less accumulated depreciation	(3,418,964)	7,552,240
Interest payable in the governmental activities are not payable from current resources and therefore are not reported in the governmental		
funds.		(29,623)
Deferred revenues reported in the governmental funds are recognized as revenues for the governmental activities.		46,602
Long-term liabilities are not due and payable in the current year and therefore are not reported in the governmental funds:		
Bonds payable	(1,592,044)	
Compensated absences payable	(420,454)	(2,012,498)
The assets and liabilities of internal service funds are included in governmental		
activities in the statement of net assets.	-	1,258,930

\$ 8,786,205

#### GOVERNMENTAL FUNDS

# STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

Year Ended September 30, 2004

	•	General Fund		Major Strect Fund	_	Local Street Fund		Nonmajor overnmental Funds	Ga	Total overnmental Funds
Revenues:										
Taxes	\$	2,357,963	\$	65,572	\$	172,228	\$	100,554	\$	2,696,317
Licenses and permits		74,629		-		-		122,441		197,070
Federal grants		-		-		-		26.932		26,932
State grants		561,076		277,442		110,880		60,446		1,009,844
Contributions from other units		-		-		-		20.963		20,963
Charges for services		133,740		-				180,799		314,539
Fines and forfeits		10,231		-		-		~		10,231
Interest and rents		69,894		3,394		3,631		42,105		119,024
Other revenue		220,228		~				59,534		279,762
Total revenues		3,427,761		346,408		286,739		613,774	_	4,674,682
Expenditures: Current:										
General government		907,374		-		-		-		907,374
Public safety		1,072,486		_		-		128,350		1.200,836
Public works		276,165		299,466		284,735		57,273		917,639
Health and welfare		30,364		-		-		-		30,364
Community and economic development		16,762		-		-		-		16,762
Recreation and culture		182,166		-		-		364,280		546,446
Other		403,552		_		-		-		403,552
Capital outlay		217,289		-		-		41,870		259,159
Debt service		1,671		25,454		4,547		255,985		287,657
Principal		1,671		11,978		1,184		76,932		90,223
Interest and charges		3,107,958	_	336,898		290,466	_	924,690		4,660,012
Total expenditures		3,107,736		330,676		270,400		724,070		4,000,012
Excess (deficiency) of revenues over expenditures	******	319,803	_	9,510		(3,727)		(310,916)		14,670
Other financing sources (uses) Proceeds from refunding of debt		_		-		_		694,127		694,127
Payment to refunded debt escrow agent		-		-		-		(415,648)		(415,648)
Transfers in		25,218		_		-		788,303		813,521
Transfers out		(334,473)		-		-		(725,059)		(1,059,532)
Total other financing sources (uses)		(309,255)	_			-		341,723		32,468
Net change in fund balances		10,548		9,510		(3,727)		30,807		47,138
Fund balances, beginning of year		1,352,730		157,400		110,552		302,734		1,923,416
Fund balances, end of year	\$	1,363,278	<u>\$</u>	166,910	<u>\$</u>	106,825	\$	333,541	\$	1,970,554

# RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

Year Ended September 30, 2004

Net change in fund balances - total governmental funds		\$	47,138
Total change in net assets reported for governmental activities in the statement of activities is different because:			
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is depreciated over their estimated useful lives and reported as depreciation expense.			
Capital outlay	213,747		
Less depreciation expense	(326,492)		(112,745)
Bond proceeds are reported as financing sources in the governmental funds and thus contribute to the change in fund balance. In the statement of net assets, however, issuing debt increases long-term liabilities and does not affect the statement of activities. Similarly, repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net assets.			
Debt issued	(415,000)		
Repayments of long-term debt	674,803		259,803
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.			
Change in compensated absences payable	(32,225)		
Change in accrued interest on bonds payable	9,549		(22,676)
The net revenue (expense) of the internal service fund is reported with			53,313
governmental activities.			23,313
Change in net assets of governmental activities		<u>\$</u>	224,833

#### PROPRIETARY FUNDS

#### STATEMENT OF NET ASSETS

September 30, 2004

						Major Em		des Eunde					G	overnmental
	Mus	icipal				Major Em	erpr	ise runas	р.	thbish and			- —	Activities
	Golf	acyai Course und	Sewe Fund			Water Fund		Harbor Fund		oonsn and Farbarge - Fund		Total		Internal Service
Assets:				•	-	7 47774	_	7 11711		runu				Service
Current assets:														
Cash and cash equivalents	\$ 2	237,670	\$ 403	3,465	\$	1,229,683	\$	518,097	.5	34,768	\$	2.423.683	\$	773,59
Taxes receivable		-	160	,826		57,785				-		218,611	-	-
Accounts receivable		-	221	,432		169,573		265		36,363		427,633		_
Special assessments receivable		-		-		-		-		-		-		10,724
Accrued interest receivable		-		-		-		-		-		-		660
Due from other governmental units		-		-		-		1,972		-		1,972		-
Inventory				-	_			17,132		<u> </u>		17,132		_
Total current assets	2	237,670	785	,723	_	1,457,041		537,466		71,131		3,089,031		784,977
Noncurrent assets:														
Restricted cash and cash equivalents Capital assets:		54,912	315	,215		248,698		-		*		618,825		-
Nondepreciable capital assets	2	72,712	5,293	,427		16,483		176,653		-		5,759,275		_
Depreciable capital assets, net	6	65,194	8,925			2,585,542		271,392		_		12,447,377		474,982
Special assessments receivable		-	33.	,518		17,267		-		_		50,785		14,337
Advance receivable from other funds		-	199	,600		81,560		_		_		281,160		_
Deferred charges		37,061	158.	432		26,065		-		-		221,558		_
Total noncurrent assets	1,0	29,879	14,925	,441		2,975,615		448,045		~		19,378,980		489.319
Total assets	1,2	67,549	15,711.	,164		4,432,656		985,511		71,131		22,468,011		1,274,296
Liabilities:														
Current liabilities:														
Accounts payable														
and accrued expenses		34,410	21,	078		20,528		26,288		4,125		106,429		1,510
Deposits payable		-	3,	000		_		2,200		_		5,200		_
Accrued interest payable		6,313	43,	325		13,815		-		-		63,453		_
Current portion of long-term debt		62,248	314,	772		131,402		-		_		508,422		
Total current liabilities	10	02,971	382,	175		165,745		28,488		4,125		683,504		1,510
Noncurrent liabilities:														
Revenue bonds payable		_	610,	000		230,000		_		_		840,000		_
General obligation bonds payable	40	03,706	6,115,	604		91,213		-		-		6,610,523		_
Special assessment bonds payable		-	48,			51,253		_		-		100,001		_
Deferred revenue	3	31,617	268,			96,351		_				396,129		_
Compensated absences payable		4,736	88,			161,794		-		_		254,698		13,856
Total noncurrent liabilities	44	10,059	7,130,6	681		630,611		_				8.201,351		13,856
Total liabilities	54	13,030	7,512,8	856		796,356		28,488		4,125	****	8,884,855		15,366
let assets:														
nvested in capital assets.														
net of related debt	47	1,952	7,129,5	552		2,098.157		448,045		_		10,147,706		474,982
testricted for:												,		,,,,,,,
Debt service	5	4,912	315,2	215		248,698		_		_		618,825		-
Inrestricted		7,655	753,5			1,289,445		508,978		67,006		2,816,625		783,948
														703,740
Total net assets	\$ 72	4,519	\$ 8,198,3	308	\$	3,636,300	\$	957,023	\$	67,006	\$	13,583,156	\$	1,258,930

#### PROPRIETARY FUNDS

#### STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS Year Ended September 30, 2004

			Major Ente	erprise Funds			Governmental Activities
	Municipal Golf Course	Sewer	Water	Harbor	Rubbish and Garbage		Internal
	Fund	Fund	Fund	Fund	<u>Fund</u>	Total	Service Fund
Operating revenues:							
Charges for services	\$ 291,085	\$ 884,860	\$ 786,497	\$ 490,938	\$ 214,175	\$ 2,667,555	\$ -
Penalties	-	10,585	8,790	-	3,611	22,986	-
Equipment rental	-	-	-	-	-	-	230,655
Other	6,540	11,646	14,150	11,046		43,382	
Total operating revenues	297,625	907,091	809,437	501,984	217,786	2,733,923	230.655
Operating expenses:							
Personnel	130,774	243,919	329,868	106,946	-	811,507	48,171
Fringe benefits	46,302	93,293	83,774	17,827	-	241,196	20,547
Supplies	18,166	40,896	47,369	211,175	379	317.985	3,985
Gas and oil	4,844	206	1,235	-	-	6,285	-
Merchandise	7,995	-	-	-	-	7,995	-
Contracted services	9,542	77,471	28,431	36,837	208,126	360,407	686
Administrative expense	7,500	21,138	20,157	15,750	-	64,545	_
Telephone	2,543	3,072	854	772	-	7,241	-
Mileage	-	148	-	-	-	148	-
Dues and membership fees	-	249	797	300	-	1,346	_
Education and training	686	-	2,060	671	_	3,417	
Printing and publishing	2,484	-	-	397	-	2,881	-
Insurance	4,562	18,873	13,674	7,984	-	45,093	11,253
Utilities	12,897	89,266	48,106	17,762	_	168,031	23,683
Repair and maintenance	17,357	51,962	28,315	26,492	_	124,126	-
Equipment rental	12,286	18,032	20,928	_	_	51,246	_
Other services and supplies	100	-	7	633	-	740	_
Depreciation	61,548	285,855	115,654	24,919	-	487,976	91,533
Total operating expenses	339,586	944,380	741,229	468,465	208,505	2,702,165	199.858
Operating income (loss)	(41,961)	(37,289)	68,208	33,519	9,281	31,758	30,797
Non-operating revenues							
(expenses):							
Property taxes	_	300,917	94,846	_	_	395,763	
State grants	_	500,517	71,010	10,000		10,000	_
Interest income	4,519	29,140	27.410	11.334	607	73,010	22,516
Rental income	13,875	27,140	27,410	11,334	007	13,875	44,310
Interest expense	(27,809)	(287,254)	(45,126)	-	-	(360,189)	•
Total non-operating revenues	(27,807)	(287,234)	(43,120)			(360,189)	
(expenses)	(9,415)	42,803	77,130	21,334	607	132,459	22,516
()	<u></u>	,000				15-1152	
Net income (loss) before							
operating transfers	(51,376)	5,514	145,338	54,853	9,888	164,217	53,313
Operating transfers:							
Transfer to other funds		(12,500)	(33,718)	(4,561)		(50,779)	-
Total operating transfers		(12,500)	(33,718)	(4,561)		(50,779)	
Net income (loss)	(51,376)	(6,986)	111,620	50,292	9,888	113,438	53,313
Net assets, beginning of year	775,895	8,205,294	3,524,680	906,731	57,118	13,469,718	1,205,617
Net assets, end of year	\$ 724,519	\$ 8,198,308	\$ 3,636,300	\$ 957,023	\$ 67,006	\$ 13,583,156	\$ 1,258,930

#### PROPRIETARY FUNDS

#### STATEMENT OF CASH FLOWS

Year Ended September 30, 2004

									vernmental					
		Major Enterprise Funds  Municipal Rubbish and								Activities				
		olf Course Fund	Sen Fu		Wate Fun			Harbor Fund		ionish ana Garbuge _Fund		Total		Internal Service
Cash flows from operating activities:														
Cash received from customers	\$	327,062	\$ 74	13,985	\$ 91	3,260	\$	503,593	\$	214,584	\$	2,707,484	\$	37,156
Cash received for interfund services		-	1.5	57,871	4	7.745		-		-		207,616		230,655
Cash payments to employees		(129,655)	(23	36,118)	(32)	5,379)		(106,946)	)	-		(799,098)		(47,147)
Cash payments to suppliers for goods and services		(139,538)	(43	35 <u>,129</u> )	(28	),973)	_	(323,111)		(204,380		(1.383,131)	_	(58,986)
Net cash provided (used) by operating activities		57,869	23	80,609	360	0,653		73,536		10,204		732,871		161,678
Cash flows from non-capital financing activities:														
Operating transfers out			. (1	2,500)	(3)	3,718)		(4,561)		-		(50,779)		-
Net cash provided (used) by non-capital														
				2.500		740								
financing activities		-		2,500)	(3)	5,7 <u>18</u> )		(4,561)				(50,779)	*** ***	
Cash flows from capital and related														
financing activities: Collections of property taxes			20	0,917	^-	,846						205 7/3		
Collections of property taxes  Collections of state grants		•	30	10,917	92	,840		10,000		-		395,763 10,000		-
Collections of rent		13,875		-		-		10,000		-		13,875		-
Acquisition and construction of capital assets		(17,647)	(64	5,302)	(1.5	(887)		(106,544)		-		(785,380)		(132,307)
Proceeds from refunding of debt		465,954		0,000		- /		-		-		1,295,954		(//////////////////////////////////////
Principal payments		(484,717)	(82	7,179)	(125	(154)				-		(1,437,050)		-
Interest paid		(27,809)		7,254)		,126)		-		-		(360,189)		-
Amortization of deferred charges		(25,160)	(3	2,865)	12	,157	,					(45,868)	_	
Net cash provided (used) by capital and														
related financing activities		(75,504)	(66	1,683)	(79	,164)	_	(96,544)				(912,895)		(132,307)
Cash flows from investing activities:														
Interest received		4,519	2	9,140	2.7	,410		11,334		607		68,491		22,516
Net cash provided by investing activities		4,519	2	9,140	27	<u>,410</u>	_	11,334		607		68,491		22,516
Net increase (decrease) in cash														
and cash equivalents		(13,116)	(41	4,434)	275	,181		(16,235)		10,811		(162,312)		51,887
Cash and cash equivalents, beginning of year		305,698	1,13	3,114	1,203	,200		534,332		23,957		2,894,603		721,706
Cash and cash equivalents, end of year	<u>\$</u>	292,582	\$ 71	8,680	\$ 1,478	.381	\$	518,097	\$	34,768	\$	2,732,291	<u>\$</u>	773,593
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:														
Operating income (loss)	\$	(41,961)	\$ (3)	7,289)	\$ 68	208	\$	33,519	\$	9,281	s	31,758	\$	30,797
Adjustments:		( , . ,		. /										,
Depreciation		61,548	283	5,855	115	654		24,919		-		487,976		91,533
Decrease (increase) in assets:														
Taxes receivable		-		0,083)		097)		-		-		(178,180)		-
Accounts receivable		-		3,521)		472		3,581		(3,202)		119,330		-
Special assessments receivable Accrued interest receivable		-	2	7,701	14	318		-		-		42,019		37,816 (660)
Due from other governmental units				-		-		(1,972)		-		(1,972)		(000)
Due from other funds		-	157	7,871	49.	745				-		207,616		_
Inventory		-		-		-		(6,189)		-		(6,189)		-
Increase (decrease) in liabilities:												-		
Accounts payable and accrued expenses		11,955		3,295)		249		19,678		4,125		43,712		1,168
Accrued interest payable		(4,229)		2,228)		515)		-		-		(17,972)		-
Deferred revenue		29,437		7,203)		130		-		-		(7,636)		-
Compensated absences payable		1,119		7,801		489						12,409	****	1,024
Net cash provided (used) by operating activities	\$	57,869	\$ 230	0,609	\$ 360.	653	\$	73,536	\$	10,204	\$	732,871	<u>s</u>	161,678

#### FIDUCIARY FUNDS

#### STATEMENT OF NET ASSETS

September 30, 2004

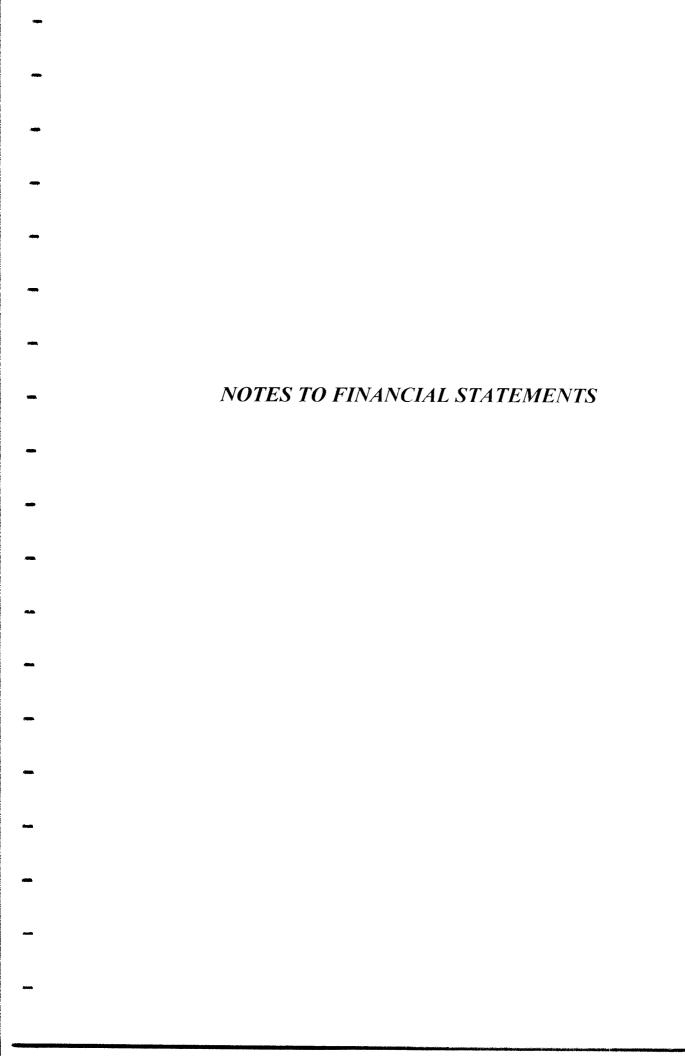
	Pension Trust Fund	Agency Funds	Total	
Assets:				
Cash and cash equivalents	\$ 723,570	\$ 2,739,090	\$ 3,462,660	
Taxes receivable	129,964	-	129,964	
Accounts receivable	••	413	413	
Total assets	853,534	2,739,503	3,593,037	
Liabilities:				
Accounts payable and accrued expenses	40,111	1,789,117	1,829,228	
Due to other governmental units	-	950,386	950,386	
Deferred revenue	216,937		216,937	
Total liabilities	257,048	2,739,503	2,996,551	
Net Assets:				
Unrestricted	596,486	-	596,486	
Total net assets	\$ 596,486	\$ -	\$ 596,486	

#### FIDUCIARY FUNDS

#### STATEMENT OF CHANGES IN NET ASSETS

Year Ended September 30, 2004

	Pension Trust Fund
Additions:	
Property taxes	\$ 206,238
Investment income (loss)	16,215
Total additions	222,453
Deductions:	
Benefits paid	377,440
Total deductions	377,440
Net increase (decrease)	(154,987)
Net assets, beginning of year	751,473
Net assets, end of year	\$ 596,486



#### NOTES TO FINANCIAL STATEMENTS

September 30, 2004

#### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of St. Clair, Michigan, a Municipal Corporation, was organized as a Village in 1850 under provisions of the Constitution and general law of the State of Michigan, and became a Home Rule City in 1980 under a local act. Located approximately 48 miles from Detroit and 12 miles from Port Huron, the City of St. Clair covers an area of approximately five square miles and is one of seven cities in St. Clair County, Michigan, each of which is a separate governmental entity. The City operates under an elected City Council, which consists of a Mayor and six Council members, with daily activities operated by the City Superintendent, Clerk, and Treasurer. The City provides services to more than 5,000 residents in many areas, including law enforcement, fire protection, water, sewer, streets, parks, and recreation.

The accounting policies of the City of St. Clair conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the significant accounting policies:

#### Reporting Entity:

The City has developed criteria to determine whether outside agencies with activities which benefit the citizens of the City should be included within its financial reporting entity. These funds and account groups are those which meet the criteria established by the National Council on Governmental Accounting (NCGA) in Statement No. 3, *Defining the Governmental Reporting Entity*. Statement No. 3 is considered to be a generally accepted accounting principle by the Governmental Accounting Standards Board (GASB).

The criteria established by the NCGA and adopted by the GASB for determining which of the City's various organizations and activities are to be included in the reporting entity's financial statements include oversight responsibility, scope of public service, and special financial relationships. On this basis, the financial statements of certain other governmental organizations are not included in the financial statements of the City. The criteria include, but are not limited to, whether the City exercises oversight responsibility, financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations and accountability for fiscal matters, scope of public service, and special financial relationships.

As required by accounting principles generally accepted in the United States of America, the financial statements of the reporting entity include those of the City and its component units. The component units discussed below are included in the City's reporting entity because of their operational or financial relationship with the City.

**Blended Component Units** – Blended component units are component units so intertwined with the primary government that they are, in substance, the same as the primary government and are presented as part of the primary government. The blended component units are:

**Building Authority** - The Building Authority is governed by a Board that is appointed by the City Council. Although it is legally separate from the City, it is reported as if it were part of the primary government because its sole purpose is to finance and construct the City's public buildings.

September 30, 2004

**Discretely Presented Component Units** - These units are reported in a separate column to emphasize that they are legally separate from the City. The component units are described as follows:

Local Development Finance Authority - The Local Development Finance Authority (LDFA) was created for the improvement of future industrial property and for non-motorized pathways, traffic control, and safety improvements. The LDFA's governing body, which consists of 12 members, is selected by the City Council. In addition, the budgets and expenditures of the LDFA must be approved by the City Council.

**Downtown Development Authority** - The Downtown Development Authority (DDA), created during 2003, is a separate legal entity. The budgets and expenditures of the DDA must be approved by the City Council. The City also has the ability to significantly influence operations of the DDA.

**Economic Development Corporation** - The Economic Development Corporation (EDC) was created to provide means and methods for the encouragement and assistance of industrial and commercial enterprises in relocating, purchasing, constructing, improving or expanding within the City so as to provide needed services and facilities of such enterprises to residents. The EDC's governing body is selected by the City Council. The EDC was inactive during the year and has no assets and liabilities.

Joint Ventures – The St. Clair Area Fire Authority is a joint venture with the Townships of China, East China, and St. Clair. The Authority was established effective October 1, 2002 in accordance with *Michigan Public Act No. 33 of 1951* for the purpose of forming a joint fire authority for uniform and orderly control of fire protection, fire department functions (including purchases, leases, and insurance coverage), and financing within the territorial limits of the City of St. Clair and the surrounding townships. Complete financial statements for the Authority can be obtained from the City Finance Director. The City's fire department assets are being leased to the new Fire Authority for \$1 per year.

#### **Basis of Presentation – Fund Accounting:**

The accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures, or expenses, as appropriate.

#### **Basis of Accounting:**

#### **GOVERNMENT-WIDE FINANCIAL STATEMENTS:**

The statement of net assets and the statement of activities report information on all of the nonfiduciary activities of the primary government and its component units. These statements distinguish between activities that are governmental and those that are business-type activities. Internal service fund activity is eliminated to avoid "doubling up" revenues and expenses.

September 30, 2004

The statement of net assets presents governmental activities on a consolidated basis, using the economic resources measurement focus and accrual basis of accounting. This method recognizes all long-term assets and receivables as well as long-term debt and obligations. The City's net assets are reported in three parts (1) invested in capital assets, net of related debt, (2) restricted net assets, and (3) unrestricted net assets. The City first utilizes restricted resources to finance qualifying activities.

The statement of activities reports both the gross and net cost of each of the City's functions. The functions are also supported by general government revenues (property taxes, certain intergovernmental revenues, fines, permits and charges, etc.). The statement of activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary (either operating or capital) grants.

The net costs (by function) are normally covered by general revenue (property taxes, state sources and federal sources, interest income, etc.). The City does not allocate indirect costs. In creating the government-wide financial statements the City has eliminated interfund transactions.

The government-wide focus is on the sustainability of the City as an entity and the change in the City's net assets resulting from current year activities.

#### **FUND FINANCIAL STATEMENTS:**

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, intergovernmental grants, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when cash is received by the government.

Fiduciary fund statements also are reported using the economic resources measurement focus and the accrual basis of accounting.

The City reports the following major governmental funds:

<u>General Fund</u> – The General Fund is the primary operating fund of the City. It is used to account for all financial resources, except for those required to be accounted for in another fund.

September 30, 2004

<u>Major Street Fund</u> – The Major Street Fund is used to account for the maintenance and construction of the City's major street system.

<u>Local Street Fund</u> – The Local Street Fund is used to account for the maintenance and construction of the City's local street system.

The City reports the following major enterprise funds:

<u>Municipal Golf Course Fund</u> – The Municipal Golf Course Fund is used to account for the revenues and expenses for the operation of a golf course.

<u>Sewer Fund</u> – The Sewer Fund is used to account for the revenues and expenses for the operation of a sewer system.

<u>Water Fund</u> – The Water Fund is used to account for the revenues and expenses for the operation of a water system.

<u>Harbor Fund</u> – The Harbor Fund is used to account for the revenues and expenses for the operation of this fund.

<u>Rubbish and Garbage Fund</u> – The Rubbish and Garbage Fund is used to account for the revenues and expenses for the operation of this fund.

#### Assets, Liabilities and Equity:

<u>Deposits and Investments</u> – Cash and cash equivalents include cash on hand, demand deposits, certificates of deposit and short term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

<u>Receivables and Payables</u> – Generally, outstanding amounts owed between funds are classified as "due from/to other funds". These amounts are caused by transferring revenues and expenses between funds to get them into the proper reporting fund. These balances are paid back as cash flow permits.

<u>Property Taxes</u> – Properties are assessed as of December 31, and the related property taxes become a lien on that date. These taxes are billed on the following August 1, are due on September 30, with the final collection date of February 28 before they are added to the county tax rolls.

The 2003 taxable valuation of the City totaled \$206,228,691, on which ad valorem taxes levied consisted of 13.1933 mills for the City's operating purposes and 2.4067 mills for debt.

Property taxes billed during the month of August will be used to finance the following year's operations. As such, these taxes are recorded as deferred revenue in each respective fund at September 30.

<u>Inventories and Prepaid Items</u> – Inventories are valued at the lower of cost (on a first-in, first-out basis) or market. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

September 30, 2004

<u>Capital Assets</u> – Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair market value at the date of donation. The City defines capital assets as assets with an initial individual cost in excess of \$500. Costs of normal repair and maintenance that do not add to the value or materially extend asset lives are not capitalized. Public domain (infrastructure) assets (e.g., roads, bridges, sidewalks and other assets that are immovable and of value only to the government) are not capitalized.

Capital assets are depreciated using the straight-line method over the following useful lives:

Buildings and improvements	10-50 years
Equipment	4-20 years
Furniture and fixtures	5-15 years
Site improvements	5-20 years
Vehicles	3-10 years
Distribution systems	15-50 years

<u>Compensated Absences</u> – It is the City's policy to permit employees to accumulate earned but unused sick and vacation days. Under the City's policy, employees earn benefits based on time of service with the City. A liability is recorded when incurred in the government-wide financial statements and the proprietary fund financial statements. A liability for these amounts is reported in the governmental funds only when they have matured or come due for payment – generally when an individual's employment has terminated as of year end.

<u>Long-term Obligations</u> – In the government-wide financial statements and the proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund statement of net assets.

<u>Fund Equity</u> – In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

#### **Use of Estimates:**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

#### **Eliminations and Reclassifications**

In the process of aggregating data for the statement of net assets and the statement of activities, some amounts reported as interfund activity and balances in the funds were eliminated or reclassified. Interfund receivables and payables were eliminated to minimize the "grossing up" effect on assets and liabilities within the governmental activities column.

September 30, 2004

#### NOTE 2: STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

#### **Budgetary Information**

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

- 1. The City Manager submits to the City Council a proposed operating budget by fund for each year. The operating budget includes proposed expenditures and the means of financing them.
- 2. A public hearing is conducted to obtain taxpayer comments.
- 3. Prior to October 1, the budget is legally enacted by adoption of the City Council.
- 4. Any revision that alters the total expenditures of any fund must be approved by the City.
- 5. Formal budgetary integration is employed as a management control device during the year for all funds.
- 6. Governmental fund budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. A comparison of actual results of operations to the General Fund and major Special Revenue Funds budgets as originally adopted and amended by the City Council is included in the required supplemental information.
- 7. All annual appropriations lapse at fiscal year end.

#### **Excess of Expenditures over Appropriations in Budgeted Funds:**

During the year, the City incurred expenditures that were in excess of the amounts budgeted, as follows:

	Final Budget		<u>Actual</u>	Actual Over <u>Final Budg</u> e	
General Fund:					
General government	\$ 894,560	\$	907,374	\$	12,814
Public safety	1,062,273		1,072,486		10,213
Recreation and culture	179,949		182,166		2,217
Transfers out	319,355		334,473		15,118
Special Revenue Funds: Local Street Fund - Public works	268,730		284,735		16,005

#### NOTE 3: DEPOSITS AND INVESTMENTS

The City's deposits and investments at September 30, 2004 are included in the statement of net assets under the following categories:

	Governmental <u>Activities</u>	Business-type <u>Activities</u>	Total Primary <u>Government</u>	Component <u>Unit</u>	
Cash and cash equivalents Restricted cash and cash equivalents	\$ 3,716,627	\$ 2,423,683 618,825	\$ 6,140,310 618,825	\$ 209,532	
•	\$ 3,716,627	\$ 3,042,508	\$ 6,759,135	\$ 209,532	

September 30, 2004

#### **Deposits:**

The breakdown between deposits and investments for the City is as follows:

	Primary <u>Government</u>	Component <u>Unit</u>
Bank deposits (checking accounts, savings accounts, and certificates of deposit Investments in securities, mutual funds, and similar vehicles Petty cash and cash on hand	\$ 1,515,566 5,242,669 900	\$ - 209,532
Total	\$ 6,759,135	\$ 209,532

The deposits of the primary government and component unit were reflected in the accounts of financial institutions (without recognition of checks written but not yet cleared or of deposits in transit) at \$1,582,102, of which \$100,000 is covered by federal depository insurance and the remainder was uninsured and uncollaterized.

The City believes that due to the dollar amount of cash deposits and the limits of the FDIC insurance, it is impractical to insure all bank deposits. As a result, the City evaluates each financial institution with which it deposits City funds and assesses the level of risk each institution; only those institutions with an acceptable estimated risk level are used as depositories. To the extent that cash from various funds has been pooled, related investment income is allocated to each fund based on relative participation in the pool.

#### Investments

State statutes authorize the City to invest surplus funds in certificates of deposit, savings accounts and deposit accounts with banks and savings and loan associations which are members of FDIC, credit unions which are insured by NCUA, bonds, bills or notes of the U.S., commercial paper rated within the 3 highest classifications established, U.S. or federal agency obligation repurchase agreements, bankers' acceptances and mutual funds composed entirely of the aforementioned investments that are legal for direct investment by a City.

Investments are categorized into these three categories of credit risk:

Category 1 – Insured or registered, or securities held by the City or its agent in the City's name;

Category 2 – Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the City's name; and

Category 3 – Uninsured and unregistered, with securities held by the counterparty or by its trust department or agent but not in the City's name.

# **NOTES TO FINANCIAL STATEMENTS, CONTINUED**September 30, 2004

At year end, the City's investment balances were categorized as follows:

		Reported		
		2	3	Amount (Fair Value)
Primary government:				
U.S. government securities  Investments not subject to categorization:	\$ -	\$ 3,678,937	\$ -	\$ 3,678,937
Fifth Third - Money Market Investments				814,475
MBIA - Class Fund				483,131
Multi Bank Securities - Negotiable CDs				266,126
				\$ 5,242,669
Component units:				
Investments not subject to categorization:				
MBIA - Class Fund				\$ 43,688
Multi Bank Securities - Negotiable CDs				165,844
				\$ 209,532

#### **NOTE 4: CAPITAL ASSETS**

Capital assets activity of the City's governmental and business-type activities was as follows:

	Beginning Balance	Additions	Disposals	Ending Balance
Governmental activities:				
Nondepreciable capital assets:				
Land	\$ 2,158,745	\$ 20,700	<u>\$</u>	\$ 2,179,445
Depreciable capital assets:				
Buildings and improvements	4,659,430	12,065	_	4,671,495
Equipment	1,729,713	182,465	-	1,912,178
Furniture and fixtures	336,047	-	-	336,047
Site improvements	1,523,791	82,973	-	1,606,764
Vehicles	1,464,425	47,852	_	1,512,277
	9,713,406	325,355		10,038,761
Total capital assets	11,872,151	346,055		12,218,206
Accumulated depreciation	(3,772,959)	(418,025)		(4,190,984)
Depreciable capital assets, net	5,940,447	(92,670)		5,847,777
Governmental activities, capital assets, net	\$ 8,099,192	\$ (71,970)	\$	\$ 8,027,222

September 30, 2004

		Beginning Balance	Additions	Disposals		Ending Balance
Business-type activities:						
Nondepreciable capital assets:						
Land	\$	495,795	\$ 92,311	\$ -	\$	588,106
Construction in progress-distribution system		303,211	-	(303,211)		-
Construction in progress-retention basin		4,553,516	617,653	-		5,171,169
	_	5,352,522	709,964	(303,211)		5,759,275
Depreciable capital assets:						
Buildings and improvements		8,448,733	~	-		8,448,733
Equipment		671,963	34,277			706,240
Site improvements		1,411,619	14,233	-		1,425,852
Vehicles		35,040	-			35,040
Distribution system		10,505,096	330,115			10,835,211
		21,072,451	378,625	-		21,451,076
Total capital assets		26,424,973	1,088,589	(303,211)		27,210,351
Accumulated depreciation		(8,515,723)	(487,976)			(9,003,699)
Depreciable capital assets, net		12,556,728	(109,351)			12,447,377
Business-type activities, capital assets, net	\$	17,909,250	\$ 600,613	\$ (303,211)	\$	18,206,652
Depreciation expense was charged to programs	of th	e primary go	vernment as	follows:		
Governmental activities:						
General government					\$	74,606
Public safety						96,028
Public works						166,530
Health and welfare						997
Recreation and culture					_	79,864
Total governmental activities					<u>\$</u>	418,025
Business-type activities:						
Municipal golf course					\$	61,548
Sewer						285,855
Water						115,654
Harbor					_	24,919
Total business-type activities					\$	487,976

September 30, 2004

#### **NOTE 5: DEFERRED REVENUE**

Governmental funds report deferred revenue in connection with receivables for revenue that is not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the various components of deferred revenue are as follows:

	<u>Unavailable</u>	<u>Unearned</u>
Primary Government: Grant, program income, and general revenue payments received prior to meeting all eligibility requirements	<u>\$</u>	\$ 3,217,632
Component Units: Grant, program income, and general revenue payments received prior to meeting all eligibility requirements	\$ -	\$ 17,668

#### **NOTE 6: LONG-TERM DEBT**

The City issues bonds, notes, and other contractual commitments to provide for the acquisition and construction of major capital facilities and the acquisition of certain equipment. General obligation bonds are direct obligations and pledge the full faith and credit of the City. County contractual agreements and installment purchase agreements are also general obligations of the government. Revenue bonds involve a pledge of specific income derived from the acquired or constructed assets to pay debt service. Other long-term obligations include compensated absences, claims and judgments, termination benefits, and certain risk liabilities.

September 30, 2004

Long-term obligation activity can be summarized as follows:

	Principal Maturity Ranges	Beginning Balance	Additions (Reductions)	Ending Balance	Due Within One Year
Governmental Activities:					
General obligation bonds - 1992 Michigan					
Transportation Fund (LTGO) for \$355,000					
at 6% interest; Maturing through					
May 1, 2007	\$30,000-35,000	\$ 125,000	\$ (30,000)	\$ 95,000	\$ 30,000
General obligation bonds - 1994 G/O					
Unlimited Tax Refunding Bonds for \$597,318					
(26.43% of \$2,260,000 issue) at 5.00 to					
5.50% interest; Maturing through					
November 1, 2005	93,827-96,470	277,515	(87,219)	190,296	93,827
General obligation bonds - 1994					
Building Authority Bonds for \$800,000 at					
5.7 to 6.0% interest; Maturing through					
November 1, 2009; Refunded in 2004	60,000-75,000	445,000	(445,000)	-	-
General obligation bonds - 1997 G/O					
Limited Tax Bonds for \$100,000 at 4.80 to					
5.10% interest; Maturing through					
November 1, 2007	10,000	50,000	(10,000)	40,000	10,000
General obligation bonds - 1999 Building					
Authority Bonds for \$995,000 at 4.60 to					
4.625% interest; Maturing through					
November 1, 2014	55,000-85,000	810,000	(50,000)	760,000	55,000
General obligation bonds - 2004 Building					
Authority Refunding Bonds for \$415,000					
(35.78% of \$1,160,000 issue) at 2.00 to					
3.00% interest; Maturing through					
November 1, 2011	33,991-64,404	-	415,000	415,000	55,459
Special assessment bonds - 1997 Special					
Assessment Bonds for \$220,000 at 4.75 to					
5.00% interest; Maturing through					
November 1, 2007	20,000-25,000	115,000	(25,000)	90,000	25,000
Note payable - Postage Meter					
Maturing through August 31, 2005	1,748	3,417	(1,669)	1,748	1,748
Installment agreement - Land Contract					
Maturing through January 10, 2004	25,915	25,915	(25,915)	•	-
Compensated absences		401,061	33,249	434,310	
Total Governmental Activities		\$ 2,252,908	\$ (226,554)	\$ 2,026,354	\$ 271,034

continued

# NOTES TO FINANCIAL STATEMENTS, CONTINUED September 30, 2004

	Principal				
	Maturity	Beginning	Additions	Ending	Due Within
	Ranges	Balance	(Reductions)	Balance	One Year
Business-type Activities:					
General obligation bonds - 1994 G/O					
Unlimited Tax Refunding Bonds for					
\$1,662,682 (73.57% of \$2,260,000					
issue) at 5.00 to 5.50% interest;					
Maturing through November 1, 2005	\$261,174-268,530	\$ 772,485	\$ (242,780)	\$ 529,705	\$ 261,174
General obligation bonds - 1996 Sewer					
Separation Bonds for \$1,500,000 at 4.25					
to 5.50% interest; Maturing through					
November 1, 2016	50,000-125,000	1,300,000	(1,300,000)	-	-
General obligation bonds - 1996 Building					
Authority Bonds for \$622,314 (62.5441%					
of \$995,000 issue) at 4.80 to 5.50%					
interest; Maturing through					
November 1, 2011	46,908-62,544	484,718	(484,718)	-	-
General obligation bonds - 2002 State					
Revolving Fund Bonds for \$5,065,000					
at 2.5% interest; Maturing through					
October 1, 2023	205,000-320,000	3,977,839	775,448	4,753,287	-
General obligation bonds - 2002 Capital					
Improvement Bonds for \$410,000					
at 3.0 to 4.7% interest; Maturing through					
October 1, 2022	15,000-30,000	410,000	-	410,000	-
General obligation bonds - 2004 General					
Obligation Refunding Bonds for \$830,000					
at 2.0 to 3.4% interest; Maturing through					
November 1, 2013	55,000-100,000	-	830,000	830,000	55,000
General obligation bonds - 2004 Building					
Authority Refunding Bonds for \$465,954					
(40.16% of \$1,160,000 issue) at 2.00 to					
3.00% interest; Maturing through					
November 1, 2011	38,152-72,288	-	465,954	465,954	62,248
Revenue bonds - 1989 Refunding Water					
Bonds for \$560,000 at 7.40 to 7.50%					
interest; Maturing through					
November 1, 2009	35,000-55,000	300,000	(35,000)	265,000	35,000
Revenue bonds - 1992 Sanitary Sewage					
Disposal Bonds for \$550,000; Maturing					
through May 1, 2004		50,000	(50,000)	-	-
Revenue bonds - 1998 Sewer System					
Refunding Bonds for \$995,000 at 4.25 to					
4.75% interest; Maturing through					
May 1, 2011	80,000-115,000	775,000	(85,000)	690,000	80,000

# NOTES TO FINANCIAL STATEMENTS, CONTINUED September 30, 2004

	Principal Maturity Ranges	Beginning Balance	Additions (Reductions)	Ending Balance	Due Within One Year
Business-type Activities, continued: Special assessment bonds - 2001 Special Assessment Ltd Tax Bonds for \$150,000 at 4.75 to 5.00% interest; Maturing through April 1, 2011 Compensated absences	15,000-20,000	130,000	(15,000)	115,000	15,000
Total Business-type Activities		\$ 8,442,331	\$ (128,687)	\$ 8,313,644	\$ 508,422
	Principal Maturity Ranges	Beginning Balance	Additions (Reductions)	Ending Balance	Due Within One Year
Component Units: General obligation bonds - 1996 Building Authority Bonds for \$290,283 (37.4559% of \$995,000 issue) at 4.80 to 5.50% interest; Maturing through November 1, 2011; Refunded in 2004 General obligation bonds - 2004 Building Authority Refunding Bonds for \$279,046 (24.06% of \$1,160,000 issue) at 2.00 to 3.00% interest; Maturing through	\$28,092-37,456	\$ 290,283	\$ (290,283)	\$ -	\$ -
November 1, 2011	22,807-43,308		279,046	279,046	37,293
Total Component Units		\$ 290,283	<u>\$ (11,237)</u>	\$ 279,046	\$ 37,293

Annual debt service requirements to maturity for the above bond and contractual obligations are as follows:

Year Ended		Gos	ernn	nental Activ	itie	5	Business-type Activities					
September 30,		Principal		Interest	-	Total	Principal		Principal Interest		Total	
2005	\$	271,033	\$	71,108	\$	342,141	\$	508,422	\$	184,002	\$	692,424
2006		270,139		54,513		324,652		763,771		218,946		982,717
2007		178,670		44,014		222,684		520,240		195,926		716,166
2008		145,459		35,806		181,265		527,248		179,020		706,268
2009		127,615		30,141		157,756		545,280		161,354		706,634
2010-2014		514,127		73,522		587,649		2,220,698		555,612		2,776,310
2015-2019		85,000		1,966		86,966		1,460,000		314,020		1,774,020
2020-2024		_			_	-		1,513,287		107,570		1,620,857
	<u>\$</u>	1,592,043	\$	311,070	<u>\$</u>	1,903,113	<u>\$</u>	8,058,946	<u>\$</u>	1,916,450	<u>\$</u>	9,975,396

**September 30, 2004** 

Year Ended	Component Units								
September 30,		Principal		Interest		Total			
2005	\$	37,293	\$	7,296	\$	44,589			
2006		36,090		5,153		41,243			
2007		36,090		4,432		40,522			
2008		37,293		3,698		40,991			
2009		42,105		2,877		44,982			
2010-2014		90,175		3,248		93,423			
	<u>\$</u>	279,046	<u>\$</u>	26,704	\$	305,750			

### NOTE 6: DISAGGREGATED RECEIVABLE AND PAYABLE BALANCES

Receivables and payables as of year end for the City's governmental and business-type activities in the aggregate are as follows:

	Governmental <u>Activities</u>	Business-type Activities	Component Units	
Receivables:				
Taxes	\$ 1,686,201	\$ 218,611	\$ 10,585	
Accounts	16,973	427,633	-	
Special assessments	65,943	50,785	•	
Notes	5,678	-	-	
Interest	66,932	•	-	
Intergovernmental	234,830	1,972	-	
Advance from other funds	181,478	281,160		
Total receivables	\$ 2,258,035	\$ 980,161	\$ 10,585	
Accounts payable and accrued expenses:				
Accounts	\$ 106,074	\$ 106,429	\$ (1)	
Deposits payable	57,863	5,200	_	
Interest	29,623	63,453	3,782	
Advance to other funds	462,638		-	
Total accounts payable and accrued expenses	\$ 656,198	\$ 175,082	\$ 3,781	

September 30, 2004

#### NOTE 7: INTERFUND BALANCES AND TRANSFERS

The composition of interfund receivable and payable balances at September 30, 2004 is as follows reported in the fund financial statements:

		Due From
	Λ	Trunkline Iaintenance
Due To	_	
General Fund	\$	30,251

Management does not anticipate individual interfund balances to remain outstanding for periods in excess of one year. All balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

The composition of interfund transfers at September 30, 2004 is as follows reported in the fund financial statements:

				Transfer	s Fr	om:				
	_	General Fund	lonmajor vernmental	Sewer		Water	_1	Harbor		Total
Transfers To:										
General Fund	\$	-	\$ 4,000	\$ -	\$	21,218	\$	-	\$	25,218
Nonmajor Governmental										
Recreation		85,000	-	-		-		-		85,000
<b>Building Department</b>		47,000	-	-		-		-		47,000
Cable Programming		44,500	-	-		-		-		44,500
1994 Building Authority		56,316	415,648	12,500		12,500		-		496,964
1999 Building Authority		86,407	-	-		-		-		86,407
2000 Industrial Complex		-	26,932							26,932
Regional Industrial Park		1,500	-	-		-		-		1,500
Component Unit - LDFA	_	13,750	 278,479	 				4,561		296,790
	\$	334,473	\$ 725,059	\$ 12,500	\$	33,718	<u>\$</u>	4,561	\$ 1	,110,311

September 30, 2004

The composition of interfund transfers at September 30, 2004 is as follows reported in the government-wide financial statements:

	 Transfers From:						
	 Governmental Activities		Business-type Activities		Total		
Transfers To:							
Governmental Activities	\$ 1,045,782	\$	46,218	\$	1,092,000		
Component Units	 13,750		4,561		18,311		
	\$ 1,059,532	\$	50,779	<u>\$</u>	1,110,311		

#### **NOTE 8: RISK MANAGEMENT**

The City is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation) and certain medical benefits provided to employees.

The City has purchased commercial insurance for medical benefits, participates in the Michigan Municipal League risk pool program for workers' compensation, and participates in the Municipal Risk Management Authority (the "Authority") risk pool program for claims related to property loss, torts, errors and omissions, and personal injuries, and participates in the Michigan Municipal League risk pool program for claims relating to workers' compensation.

The Authority operates as a claims servicing pool for amounts up to member retention limits, and operates as a common risk-sharing management program for losses in excess of member retention amounts. Although premiums are paid annually to the Authority that the Authority uses to pay claims up to the retention limits, the ultimate liability for those claims remains with the City. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in the past three fiscal years.

The Michigan Municipal League risk pool program operates as a common risk-sharing management program for local units of government in Michigan; member premiums are used to purchase excess commercial insurance coverage and to pay member claims in excess of deductible amounts.

#### NOTE 9: EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS

### Defined Benefit Pension Plan (Michigan Municipal Employees' Retirement System)

Plan Description – The City participates in the Michigan Municipal Employees' Retirement System (MERS), an agent multiple-employer defined benefit pension plan that covers all full-time employees. The system provides retirement, disability and death benefits to plan members and their beneficiaries. MERS issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to MERS at 447 N. Canal Rd., Lansing, Michigan 48917.

September 30, 2004

Funding Policy – The obligation to contribute to and maintain the system for these employees was established by negotiations with the City Council and personnel policy, which does not require employees to contribute to the plan. The City of St. Clair is required to contribute at actuarially determined rates; the current rates ranged from 13.48 to 19.09 percent of eligible payroll based on the December 31, 2001 valuation. Benefits vest after 10 years of service. The service requirement is computed using credited service at the time of termination of membership multiplied by the sum of 2.25 percent times the final average compensation (FAC) with a maximum benefit of 80 percent of FAC.

Annual Pension Costs – For year ended September 30, 2004, the City's annual pension cost of \$377,440 for the plan was equal to the required and actual contribution. The annual required contribution was determined as part of an actuarial valuation at December 31, 2003, using the entry actual age cost method. Significant actuarial assumption used include: (i) an 8% investment rate of return; (ii) projected salary increases of 4.5% per year; and (iii) 2.5% per year cost of living adjustments. All are determined using techniques that smooth the effects of short-term volatility over a four year period. The unfunded actuarial liability is being amortized at a level percent of payroll on a closed basis. The remaining amortization period is 30 years.

Three year trend information as of September 30, follows:

	 2004	 2003	 2002
Annual pension cost Percentage of APC contributed	\$ 377,440 100%	\$ 342,809 100%	\$ 397,326 100%
Net pension obligation	-	-	-

#### **Deferred Compensation Plan**

The City offers its employees a deferred compensation plan created in accordance with IRC Section 457. The plan, available to all employees, permits them to defer a portion of their current salary until future years. The deferred compensation is not available to the employees until termination, retirement, death or unforeseeable emergency.

Effective March 2000, the City of St. Clair adopted a new 457 plan document which incorporates the recent changes to the law governing 457 deferred compensation plans. The most notable change in the plan provides that the employer establish a plan level trust in which all amounts deferred must be placed and held for the exclusive benefit of plan participants and their beneficiaries. As a result of this change, the plan assets are no longer subject to claims of the City's general creditors.

All amounts of compensation deferred under the plan, all property and rights purchased with such amounts, and all income attributable to such amounts, property, or rights are for the exclusive benefit of the employee or their beneficiary.

It is the opinion of the City that the City has no liability for losses under the plan, but does have a duty of care that would be required of an ordinary prudent investor. Therefore, the deferred compensation assets and liability have been removed from the City's fiduciary fund as is no longer required to be shown in the financial statements for future years.

September 30, 2004

#### **Post Employment Benefits**

The City provides health care and life insurance benefits to all full-time employees upon retirement, in accordance with labor contracts. Currently, one retiree is eligible. The City includes pre-Medicare retirees and their dependents in its insured health care plan, with a 25 percent contribution required by the participant. These benefits cease when the participant becomes eligible for Medicare insurance. Expenditures for post employment health care benefits are recognized as the insurance premiums become due; during the year, this amounted to \$9,350. The City uses a pay-as-you-go method to pay this.

#### **NOTE 10: FUND EQUITY**

Specific reservations on fund equity include:

<u>Reserved for prepaid expenditures</u> – This reserve was created to indicate that the portion of fund balance represented by prepaid expenditures is not available for appropriation.

<u>Reserved for debt service</u> – This reserve was created to indicate that portion of fund balance available for the retirement of debt.

<u>Reserved for advance receivable</u> – This reserve was created to indicate that portion of fund balance representing the long-term advance receivable from the St. Clair Regional Industrial Park.

**Reserved for nonexpendable cemetery principal** – This reserve was created to indicate that portion of fund balance representing the nonexpendable principal portion required to be retained in perpetuity for cemetery care.

<u>Reserved for library trust</u> – This reserve was created to indicate that portion of fund balance representing the library trust.

September 30, 2004

#### **NOTE 11: COMPONENT UNITS REPORTING**

A condensed statement of net assets for each of the discretely presented component units is shown below. The statement of activities is presented in the government-wide financial statements.

	Local Development Finance <u>Authority</u>	Downtown Development <u>Authority</u>	Total Component <u>Units</u>
Assets: Cash and cash equivalents	\$ 166,955	\$ 42,577	\$ 209,532
Receivables		10,585	10,585
Total assets	166,955	53,162	220,117
Liabilities:			
Accounts payable and accrued expenses	3,781	-	3,781
Deferred revenue	-	17,668	17,668
Long-term liabilities:			
Due within one year	37,923	-	37,923
Due in more than one year	241,123		241,123
Total liabilities	282,827	17,668	300,495
Net assets:			
Invested in capital assets, net of related debt	(279,046)	-	(279,046)
Unrestricted	163,174	35,494	198,668
Total net assets	\$ (115.872)	<u>\$ 35,494</u>	\$ (80,378)

#### **NOTE 12: CONTINGENCIES**

#### **Community Development Block Grant**

The City is receiving a Community Development Block Grant (loan) for \$1,000,350. The full amount of the grant has been received as of September 30, 2004. The grant was recorded in the St. Clair Regional Industrial Park Fund as it was received. The principal and interest must be paid back beginning November 1, 2005. The City will receive a \$10,000 credit for each new job created as a result of this project (a portion of these funds must be used for low and moderate income people). This has not been recorded as a liability of the City at this time.

#### Michigan Municipal Risk Management Authority

As of September 30, 2004, the City has a contingent receivable from the Michigan Municipal Risk Management Authority of \$99,063 in connection with the insurance pool's retention fund. The City is expected to receive these funds over the next two years. When received, the refunds will be recognized as revenue.

September 30, 2004

#### **NOTE 13: DEFICIT FUND BALANCE**

The St. Clair Regional Industrial Park Capital Projects Fund has a deficit fund balance of \$265,378. The deficit results from expenditures incurred for the industrial park project. It is expected that revenue from the sale of lots will provide a positive fund balance in the future.

#### **NOTE 14: PRIOR PERIOD ADJUSTMENTS**

#### **Accounting Change**

GASB Statement No. 34 - Effective October 1, 2003, the City implemented the provisions of Governmental Accounting Standards Board (GASB) Statement No. 34, Basic Financial Statements - and Management Discussion and Analysis - for State and Local Governments. Changes to the financial statements as a result of GASB No. 34 are as follows:

A Management Discussion and Analysis (MD&A) section providing an analysis of the City's overall financial position and results of operations has been included.

Government-wide financial statements prepared using full accrual accounting for all of the City's activities have been provided.

As a result of implementing this statement for the fiscal year ended September 30, 2004, the following restatement was made to net assets at September 30, 2003:

	Governmental	Component	
	Funds	Units	
Fund balances as of September 30, 2003	\$ 1,923,416	\$ 191,475	
Add: capital assets	10,757,457	-	
Less: accumulated depreciation on capital assets	(3,092,472)	-	
Less: accrued interest on bonds payable	(39,172)	(6,313)	
Less: bonds payable	(1,851,847)	(290,283)	
Add: deferred revenue	46,602	-	
Less: compensated absences payable	(388,229)		
	7,355,755	(105,121)	
Add: internal service funds net assets at September 30, 2003	1,205,617		
Net assets as of September 30, 2003, as restated	\$ 8,561,372	\$ (105,121)	

September 30, 2004

### Correction of an Error

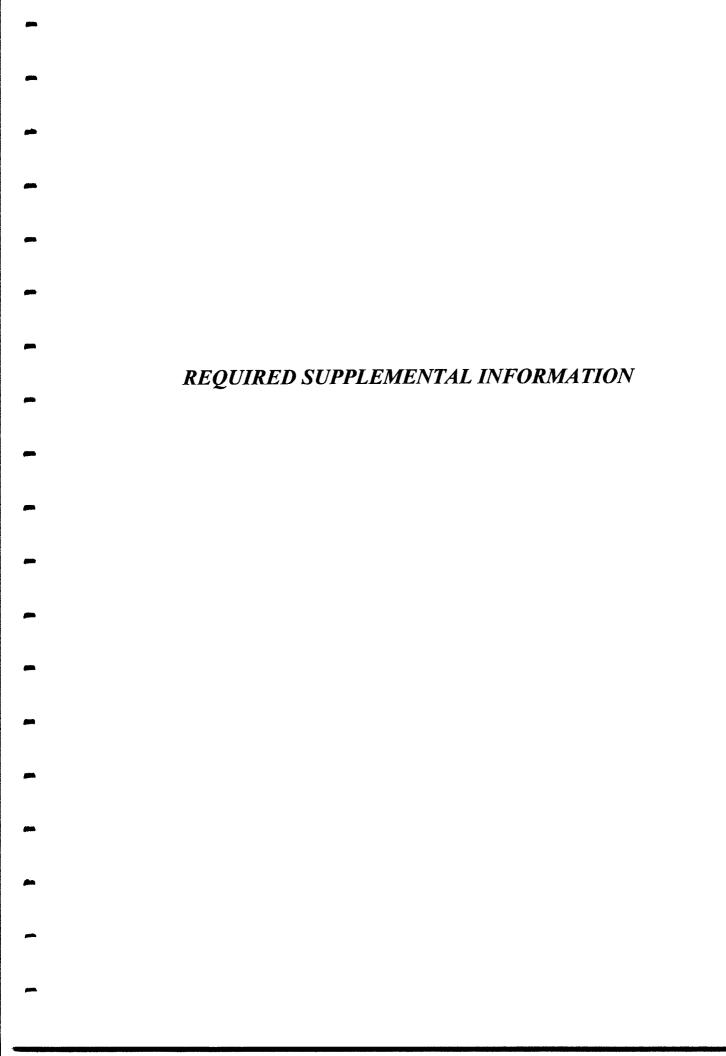
In the prior year, there was a special assessment collected that was not recorded as revenue in the appropriate fund. The effect on the beginning net assets of the funds is as follows:

	Urban		Internal Service Fund Special Assessement <u>Revolving</u>	
Net assets, beginning of year, as previously stated	\$	12,591	\$	316,729
Prior period adjustment to recognize special assesments in proper fund		4,017		(4,017)
Net assets, beginning of year, as restated	\$	16,608	\$	312,712

#### **NOTE 15: OPERATING LEASE**

The City of St. Clair entered into a financing agreement to lease 20 golf carts. The annual requirements to pay future principal and interest for the operating lease are as follows:

Year Ended September 30,	p	rincipal	I	nterest	Total
		·····			 1044
2005	\$	8,555	\$	1,981	\$ 10,536
2006		8,897		1,639	10,536
2007		9,252		1,285	10,537
2008		9,620		916	10,536
2009	•	16,364		392	16,756
	\$	52,688	\$	6,213	\$ 58,901



# SCHEDULE OF PENSION PLAN FUNDING PROGRESS Year Ended September 30, 2004

Actuarial Valuation Date	12/31/2003	12/31/2002	12/31/2001
Actuarial Value of Assets	\$ 7,891,775	\$ 7,141,433	\$ 6,733,441
Actuarial Accrued Liability (AAL)	10,898,932	10,164,870	9,363,424
Unfunded AAL (UAAL)	3,007,157	3,023,437	2,629,983
Funded Ratio	72%	70%	72%
Covered Payroll	2,164,059	2,124,179	2,069,554
UAAL as a percentage of covered payroll	139%	142%	127%

# BUDGETARY COMPARISON SCHEDULE Year Ended September 30, 2004

	Budgeted Amounts			Variance with	
Original		Final	Actual	Final Budget	
Revenues:					
Property taxes	\$ 2,368,029	\$ 2,368,029	\$ 2,357,963	\$ (10,066)	
Licenses and permits	62,007	62,007	74,629	12,622	
State grants	584,200	584,200	561,076	(23,124)	
Charges for services	137,330	137,330	133,740	(3,590)	
Fines and forfeitures	15,325	15,325	10,231	(5,094)	
Interest and rents	82,985	82,985	69,894	(13,091)	
Other revenue	85,800	85,800	220,228	134,428	
Total revenues	3,335,676	3,335,676	3,427,761	92,085	
Expenditures:					
Current:					
General government	935,060	894,560	907,374	(12,814)	
Public safety	1,084,273	1,062,273	1,072,486	(10,213)	
Public works	202,177	292,177	276,165	16,012	
Health and welfare	30,685	31,435	30,364	1,071	
Community and economic development	40,622	30,622	16,762	13,860	
Recreation and culture	183,449	179,949	182,166	(2,217)	
Other	395,884	417,051	403,552	13,499	
Capital outlay	107,500	220,170	217,289	2,881	
Debt service:					
Principal	-	1,700	1,671	29	
Interest and charges		130	129	1	
Total expenditures	2,979,650	3,130,067	3,107,958	22,109	
Excess (deficiency) of					
revenues over expenditures	356,026	205,609	319,803	114,194	
Other financing sources (uses):					
Transfers in	33,718	33,718	25,218	(8,500)	
Transfers out	(389,744)	(319,355)	(334,473)	(15,118)	
Total other financing sources (uses)	(356,026)	(285,637)	(309,255)	(23,618)	
Net change in fund balance	-	(80,028)	10,548	90,576	
Fund balance, beginning of year	1,352,730	1,352,730	1,352,730	-	
Fund balance, end of year	\$ 1,352,730	\$ 1,272,702	\$ 1,363,278	\$ 90,576	

### SPECIAL REVENUE FUND – MAJOR STREET FUND

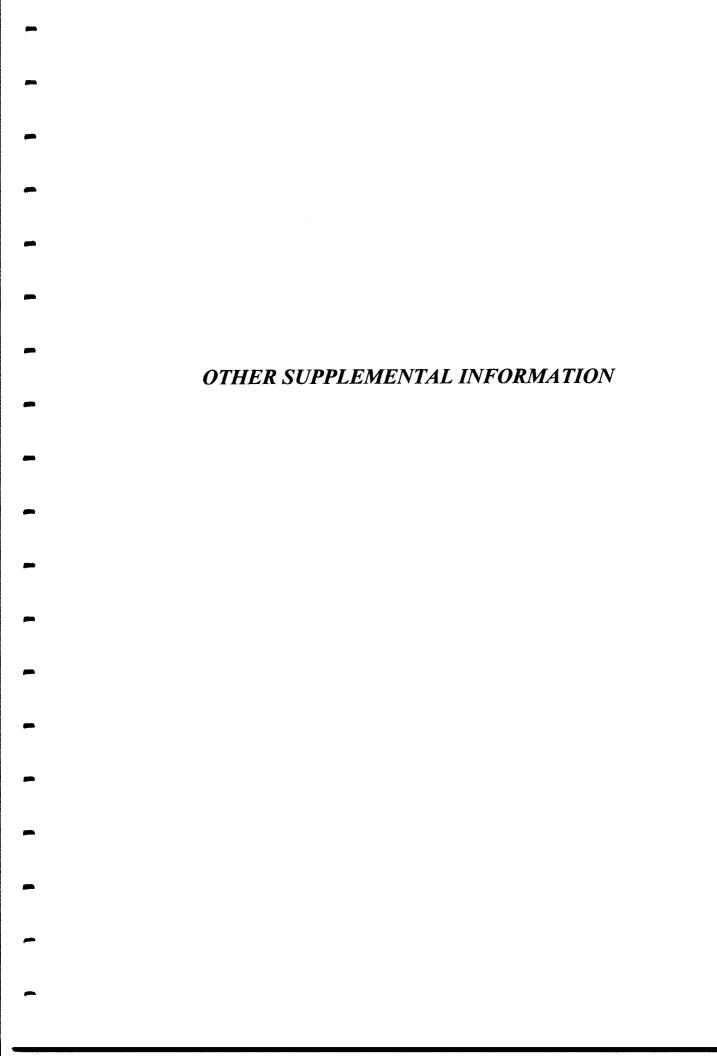
## **BUDGETARY COMPARISON SCHEDULE**

	Budgeted Amounts			Variance with	
•	Original	Final	Actual	Final Budget	
Revenues: Property taxes	\$ 65,105	\$ 65,105	\$ 65,572	\$ 467	
State grants Interest and rents	243,681 5,244	243,681 5,244	277,442 3,394	33,761 (1,850)	
Total revenues	314,030	314,030	346,408	32,378	
Expenditures: Current:					
Public works Debt service:	594,431	552,431	299,466	252,965	
Principal Interest and charges	25,454 6,627	25,454 12,127	25,454 11,978	149	
Total expenditures	626,512	590,012	336,898	253,114	
Excess (deficiency) of revenues over expenditures	(312,482)	(275,982)	9,510	285,492	
Other financing sources (uses): Transfers in	49,651				
Total other financing sources (uses)	49,651				
Net change in fund balance	(262,831)	(275,982)	9,510	285,492	
Fund balance, beginning of year	157,400	157,400	157,400		
Fund balance, end of year	\$ (105,431)	\$ (118,582)	\$ 166,910	\$ 285,492	

## $SPECIAL\ REVENUE\ FUND-LOCAL\ STREET\ FUND$

## **BUDGETARY COMPARISON SCHEDULE**

	Budgeted Amounts				Variance with			
	_ (	Priginal		Final		Actual	Fin	al Budget
Revenues:				171.005	•	150 000	•	
Property taxes	\$	171,005	\$	171,005	\$	172,228	\$	1,223
State grants		100,190		100,190		110,880		10,690
Interest and rents		2,817		2,817		3,631		814
Total revenues		274,012		274,012		286,739		12,727
Expenditures:								
Current								
Public works		268,730		268,730		284,735		(16,005)
Debt service								
Principal		4,547		4,547		4,547		-
Interest and charges		1,184		1,184		1,184		
Total expenditures		274,461		274,461		290,466		(16,005)
Excess (deficiency) of								/ max
revenues over expenditures		(449)	_	(449)		(3,727)		(3,278)
Other financing sources (uses):		(10.540)		(10.540)				12.540
Transfers out		(12,540)		(12,540)		-		12,540
Total other financing sources (uses)		(12,540)		(12,540)		-		12,540
Net change in fund balance		(12,989)		(12,989)		(3,727)		9,262
Fund balance, beginning of year		110,552		110,552		110,552		-
Fund balance, end of year	\$	97,563	\$	97,563	<u>\$</u>	106,825	<u>\$</u>	9,262



## DETAILED SCHEDULE OF REVENUES

Revenues:	
Current taxes:	
Property taxes	\$ 2,255,123
Penalties and interest on taxes	12,796
Administration fees	90,044
	2,357,963
Licenses and permits:	
Business licenses and permits	3,340
Nonbusiness licenses and permits	6,020
CATV franchise fees	65,269
	74,629
State grants:	
Liquor license fees	4,272
State revenue sharing - sales tax	529,029
Other	25,781
Police grant	1,994
<b>C</b>	561,076
Charges for services:	
Cemetery fees	23,677
Copies	669
Police services and reports	983
Zoning and variance application fees	64
Other	31,017
Charges to other funds	77,330
-	133,740
Fines and forfeitures:	
Parking fines	9,831
Ordinance fines	400
	10,231
Interest and rents:	
Interest	26,859
Rents	43,035
	69,894
Other revenue:	
Sale of fixed assets	5,900
Contributions and donations	150,225
Reimbursements	1,280
Insurance recoveries	52
Other	62,771
	220,228
m . I	3,427,761
Total revenues	3,427,701

# **DETAILED SCHEDULE OF REVENUES, CONTINUED**Year Ended September 30, 2004

Other	Financ	ing	Sources:
-------	--------	-----	----------

Transfers from other funds

25,218 25,218

Total revenues and other financing sources

\$ 3,452,979

## DETAILED SCHEDULE OF EXPENDITURES

Expenditures: General Government:	
Council:	
Personnel	\$ 3,500
Fringe benefits	268
Dues and memberships	26,720
Conference and travel	2,176 1,116
Other	33,780
Manager:	
Personnel	128,325
Fringe benefits	22,437
Travel/Mileage	1,260
Dues and memberships	1,052
Conference and travel	3,948
Other	71
	157,093
Accounting/Finance:	
Personnel	55,240
Fringe benefits	4,193
Supplies	1,147
Travel/Mileage	1,711
Dues and memberships	205
Conference and travel	3,089
Other	215
	65,800
Clerk:	106,600
Personnel	8,097
Fringe benefits	489
Travel/Mileage	270
Dues and memberships	4,181
Conference and travel	200
Other	119,837
Audit:	
Contracted services	5,112
Contracted services	5,112
Board of Review:	
Personnel	1,900
Fringe benefits	145
Printing and publications	245
1 through and Languages	2,290

# DETAILED SCHEDULE OF EXPENDITURES, CONTINUED Year Ended September 30, 2004

General Government (continued):	
Other General Administrative:	00.444
Personnel	\$ 32,444
Fringe benefits	2,488
	34,932
Treasurer:	
Personnel	47,557
Fringe benefits	3,608
Supplies	4,776
Travel/Mileage	1,182
Dues and memberships	150
Conference and travel	1,173 338
Other	58,784
Assessor/Equalization:	20 125
Personnel	39,125 2,959
Fringe benefits	629
Supplies	2,044
Contracted services	314
Travel/Mileage	340
Dues and memberships	1,068
Conference and travel	101
Printing and publications Other	3
Oulei	46,583
Elections:	
Personnel	639
Fringe benefits	49
Supplies	5,331
Contracted services	4,324
Printing and publications	1,804
Timing and passivesions	12,147
Duildings and Changer	
Buildings and Grounds:	1,832
Supplies Utilities	32,649
-	11,495
Repairs and maintenance	45,976
	43,970

## DETAILED SCHEDULE OF EXPENDITURES, CONTINUED

General Government (continued):	
Attorney:	
Contracted services	\$ 28,159
	28,159
Cemetery:	40.000
Personnel	40,993
Fringe benefits	2,648
Supplies	382
Contracted services	18,147
Utilities	1,230
Repairs and maintenance	4,008
Equipment rental	11,424
	78,832
Community Promotion:	
Contracted services	25,506
Other	20,155
	45,661
Other General Government:	
Personnel	4,706
Supplies	51,238
Contracted services	69,749
Telephone	21,106
Printing and publications	9,112
Other	16,477
Outor	172,388
Total general government	907,374
10mi Beneral Be common	
Public Safety:	
Police:	
Personnel	681,036
Fringe benefits	51,487
Supplies	28,307
Gas and oil	12,362
Contracted services	34,482
Travel/Mileage	63
Dues and memberships	720
Education and training	5,938
Printing and publications	255
Utilities	1,975
Repairs and maintenance	10,702
Other	6,226
	833,553

# **DETAILED SCHEDULE OF EXPENDITURES, CONTINUED**Year Ended September 30, 2004

Public Safety (continued): Fire:	
Contracted services	<b>\$ 238,933</b>
	238,933
Total public safety	1,072,486
Public Works:	
Department of Public Works:	
Personnel	93,525
Fringe benefits	11,289
Supplies	11,270
Gas and oil	19,378
Contracted services	10,592
Conference and travel	145
Utilities	1,002
Repairs and maintenance	12,54
Equipment rental	28,570
	188,32
Street Lighting:	
Utilities	87,844
	87,844
Total public works	276,165
Health and Welfare:	
Senior Citizens:	
Personnel	25,632
Fringe benefits	1,948
Contracted services	793
Repairs and maintenance	1,587
Other	400
	30,364
Total health and welfare	30,364
Community and Economic Development:	
Planning:	
Personnel	14,658
Fringe benefits	1,121
Contracted services	200
Dues and memberships	75
Conference and travel	708
	16,762

## DETAILED SCHEDULE OF EXPENDITURES, CONTINUED

Recreation and Culture:	
Parks and Recreation:	
Personnel	\$ 77,171
Fringe benefits	4,977
Contracted services	13,522
Utilities	7,209 11,354
Repairs and maintenance	25,670
Equipment rental	139,903
	139,903
Library:	1,336
Personnel	1,330
Fringe benefits	508
Supplies	10,395
Contracted services	11,516
Utilities  Paraire and maintenance	3,037
Repairs and maintenance Equipment rental	466
Equipment rental	27,360
od n d IOA	
Other Recreation and Culture:	14,903
Other	14,703
Total recreation and culture	182,166
Other:	
Insurance	77,713
Employee benefits	325,839
2	403,552
Total other	403,552
Capital Outlay:	
General government	11,980
Public safety	29,863
Public works	75,361
Health and welfare	47,852
Community and economic development	31,569
Recreation and culture	20,664
	217,289
Debt Service:	
Principal	1,671
Interest and fees	129
	1,800
m . 1	3,107,958
Total expenditures	

## DETAILED SCHEDULE OF EXPENDITURES, CONTINUED

Year Ended September 30, 2004

Other Financing Uses:

Transfers to other funds

334,473 334,473

Total expenditures and other financing uses

\$ 3,442,431

## NONMAJOR GOVERNMENTAL FUNDS

## **COMBINING BALANCE SHEET**

September 30, 2004

	Special Revenue Funds								
	Fund F		Recreation Fund		1994 Special sessment Fund	De	uilding partment Fund		
Assets:	\$	(17,700)	¢	163,973	\$	5,876	\$	70,830	
Cash and cash equivalents	Φ	(17,700)	Ф	103,773	Ψ	3,070	Ψ	-	
Taxes receivable Accounts receivable		_		743		_		1,831	
Special assessments receivable		_		-		(42)		•	
Notes receivable		_		_		-		_	
Interest receivable		_		-		-		-	
Due from other governmental units		61,705							
Total assets	<u>\$</u>	44,005	\$	164,716	\$	5,834	\$	72,661	
Liabilities and Fund Balances:  Liabilities:  Accounts payable									
and accrued expenses	\$	10,477	\$	4,560	\$	30	\$	4,447	
Due to other funds	Ψ	30,251	*	-	_	-		· -	
Deposits payable		<b>-</b>		-		27		47,071	
Advance payable to other funds		-		-		-		-	
Deferred revenue						230			
Total liabilities		40,728		4,560		287		51,518	
Fund balances: Reserved for:									
Debt service		-		-		-		-	
Nonexpendable cemetery principal		-		-		-		-	
Expendable library trust		-		-		-		-	
Unreserved, reported in:		2.055		160.156		5 5 4 7		21 1/2	
Special revenue funds		3,277		160,156		5,547		21,143	
Capital projects funds					_				
Total fund balances		3,277	_	160,156		5,547		21,143	
Total liabilities and fund balances	\$	44,005	<u>\$</u>	164,716	<u>\$</u>	5,834	<u>\$</u>	72,661	

S	pecial Rev	enue	Funds		Debt Serv				
Dev Acti	Urban elopment		Cable gramming Fund	Bi Au	1999 uilding athority ad Fund		990 Road nstruction Bond Fund	No.	Subtotal onmajor pernmental Funds
\$	50,923 - - - 5,678 -	\$	15,080	\$	1,201 - - - - -	\$	48,790 61,086 - - - - -	\$	338,973 61,086 2,574 (42) 5,678 - 61,705
\$	56,601	\$	15,080	\$	1,201	\$	109,876	\$	469,974
\$	- - - 5,678 5,678	\$	3,216 - - - - - - 3,216	\$	1 - - - - 1	\$	- - - 101,855 101,855	\$	22,731 30,251 47,098 - 107,763 207,843
	- - -		- - -		1,200 - -		8,021 - -		9,221 - -
	50,923		11,864		1,200		8,021		252,910 - 262,131
\$	56,601	\$	15,080	\$	1,200	<u>\$</u>	109,876	<u>\$</u>	469,974

continued

## NONMAJOR GOVERNMENTAL FUNDS

## COMBINING BALANCE SHEET, CONTINUED

September 30, 2004

	Debt Servic		ice Fun	ıds	tal Projects Fund		Permane	nt F	unds			
	Cor	97 Road astruction and Fund	2004 Building Authority Refunding Bonds Fund		St. Clair Regional Industrial Park Fund		Cemetery Perpetual Care Fund		Library Fund		Total Nonmajor Governmental <u>Funds</u>	
Assets:	ø	01 274	ď		\$	197,485	\$	209,369	\$	42,423	\$	869,624
Cash and cash equivalents	\$	81,374	\$	-	A)	197,465	Ф	200,500	Ψ	-12,125	Ψ	61,086
Taxes receivable		-		_		_		_		_		2,574
Accounts receivable		40,924		-		_		_		_		40,882
Special assessments receivable		40,924		-		_		_		_		5,678
Notes receivable				-		_		2,976		_		4,057
Interest receivable		1,081		-		•		2,770		_		61,705
Due from other governmental units					_				_		_	01,703
Total assets	<u>\$</u>	123,379	\$	-	<u>\$</u>	197,485	<u>\$</u>	212,345	<u>\$</u>	42,423	<u>\$</u>	1,045,606
Liabilities and Fund Balances:												
Liabilities:												
Accounts payable												
and accrued expenses	\$	-	\$	-	\$	-	\$	75	\$	-	\$	22,806
Due to other funds		-		-		-		-		-		30,251
Deposits payable		-		-		585		•		•		47,683
Advance payable to other funds		-		-		462,638		-		-		462,638
Deferred revenue		40,924				-						148,687
Total liabilities		40,924				463,223		75	_	-		712,065
Fund balances:												
Reserved for:												01.676
Debt service		82,455		-		-		-		-		91,676
Nonexpendable cemetery principal		-		-		-		212,270				212,270
Expendable library trust		-		-		-		-		42,423		42,423
Unreserved, reported in:												
Special revenue funds		-		-		-		-		-		252,910
Capital projects funds						(265,738)			_	-	_	(265,738)
Total fund balances		82,455				(265,738)	_	212,270	_	42,423	_	333,541
Total liabilities and fund balances	<u>\$</u>	123,379	\$	-	\$	197,485	\$	212,345	<u>\$</u>	42,423	<u>\$</u>	1,045,606

### NONMAJOR GOVERNMENTAL FUNDS

# COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

	Special Revenue Funds									
	Ma	runkline intenance Fund		Recreation Fund		1994 pecial essment Fund	Building Department Fund			Urban velopment tion Grant Fund
Revenues:	•		•		•		•		ø	
Property taxes	\$	-	\$	-	\$	-	\$	- 80,540	\$	-
Licenses and permits		-		-		-		60,340		-
State grants		60,446	,	- 0,963		-		-		-
Contributions from other units		-		4,061		-		1,629		_
Charges for services		14		7,320		130		1,029		2,698
Interest and rents				7,320 0,972		-		610		31,617
Other revenue										
Total revenues		60,460	21	3,316		130		84,075		34,315
Expenditures:										
Public safety		-		-		-		128,350		-
Public works		57,273		-		-		-		-
Recreation and culture		-		0,214		-		-		-
Capital outlay		-		9,039		-		445		-
Debt service:										
Principal		-		-		-		-		-
Interest and charges	-					-		-		
Total expenditures		57,273	29	9,253		-		128,795		
Excess (deficiency) of										
revenues over expenditures		3,187	(8	5,937)		130		(44,720)		34,315
Other financing sources (uses):										
Proceeds from refunding of debt		-		-		-		-		-
Payments to refunded debt escrow agent		-		-		-		-		-
Transfers in		-	8	5,000		-		47,000		-
Transfers out				<u>-</u> .		-				
Total other financing sources (uses)	<del>.</del>	-	8	5,000				47,000		
Net change in fund balance		3,187		(937)		130		2,280		34,315
Fund balance, beginning of year		90	16	1,093		5,417		18,863		16,608
Fund balance, end of year	\$	3,277	\$ 16	0,156	\$	5,547	\$	21,143	\$	50,923

Special Revenue Fund Debt Service Funds													
Cable Programming Fund		ning Authority		1999 Building Authority Bond Fund		1990 Road Construction Bond Fund		2000 Industrial Complex Debt Fund		1997 Road Construction Bond Fund		Subtotal Nonmajor Governmental Funds	
\$	-	\$	-	\$	-	\$	100,554	\$	-	\$	-	\$	100,554
	41,901		•		-		-		-		-		122,441 60,446
	-		-		-		-		-		-		20,963
	-		-		-		-		-		-		178,574
	2,884		-		- 11		- 244		(1)		7,921		19,981
	346		2		11		244		(1)		7,449		59,534
	8,886 54,017		2		11		100,798		(1)		15,370		562,493
							_		_		_		128,350
	-		- -		_		_		_		_		57,273
	74,066		_		_		_		-		-		364,280
	22,819		-		-		-		-		-		32,303
	-		55,000		50,000		87,219		26,571		37,195		255,985
	•		26,907		36,404	_	7,588		360		5,673		76,932
	96,885		81,907		86,404		94,807		26,931		42,868		915,123
<u> </u>	(42,868)		(81,905)		(86,393)		5,991		(26,932)	_	(27,498)		(352,630)
	_		-		-		•		-		-		-
	-		(415,648)		-		-		-		-		(415,648)
	44,500		496,964		86,407		-		26,932		-		786,803
	-		-			_	-					_	
	44,500		81,316	_	86,407		-	_	26,932				371,155
	1,632		(589)		14		5,991		-		(27,498)		18,525
	10,232		589		1,186		2,030				109,953		326,061
<u>\$</u>	11,864	\$	-	<u>\$</u>	1,200	<u>\$</u>	8,021	<u>\$</u>	-	\$	82,455	<u>\$</u>	344,586

continued

## NONMAJOR GOVERNMENTAL FUNDS

# COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES, CONTINUED Year Ended September 30, 2004

		Service und	Capi	tal Projects Fund	Permanent Funds					
	2004 Building Authority Refunding Bonds Fund		St. Clair Regional Industrial Park Fund		Cemetery Perpetual Care Fund			ibrary Fund	Total Nonmajor Governmental Funds	
Revenues:	•		ø		\$ -		\$	_	\$	100,554
Property taxes	\$	•	\$	-	J -		Φ	_	Ψ	122,441
Licenses and permits		-		26,932	_			_		26,932
Federal grants		-		20,732	_			_		60,446
State grants		-		_	_			_		20,963
Contributions from other units		<u>-</u>		_	2,2	25		_		180,799
Charges for services		_		11,367	10,0			751		42,105
Interest and rents Other revenue		_						-		59,534
Total revenues		-		38,299	12,2	31		751		613,774
Expenditures:										
Current:										100.250
Public safety		-		-	-	•		-		128,350
Public works		-		-	-	•		-		57,273
Recreation and culture		-		-	-	•		-		364,280
Capital outlay		-		9,567	-	•		-		41,870
Debt service:										255,985
Principal		-		-	-	•		-		
Interest and charges						· ———				76,932
Total expenditures		-		9,567		<u> </u>		-		924,690
Excess (deficiency) of					10.0			751		(210.016)
revenues over expenditures	····			28,732	12,2	31		751		(310,916)
Other financing sources (uses):										COA 127
Proceeds from refunding of debt		694,127		-	•	•		-		694,127
Payment to refunded debt escrow agent		-		-	-	•		-		(415,648)
Transfers in		-		1,500	(4.0			-		788,303
Transfers out		694,127	) _	(26,932)	(4,0	100)		-	_	(725,059)
Total other financing sources (uses)				(25,432)	(4,0	000)		-		341,723
Net change in fund balance		-		3,300	8,2	231		751		30,807
Fund balance, beginning of year	***	-		(269,038)	204,0	39		41,672		302,734
Fund balance, end of year	\$		\$	(265,738)	\$ 212,2	270	\$	42,423	\$	333,541

## PROPRIETARY FUNDS – INTERNAL SERVICE FUNDS

## COMBINING STATEMENT OF NET ASSETS

September 30, 2004

	Motor Pool Fund	Special Assessment Revolving Fund	Total Internal Service Funds
Assets:			
Current assets:	<b>*</b> 475.400	e 200 105	\$ 773,593
Cash and cash equivalents	\$ 475,488	\$ 298,105 10,724	10,724
Special assessments receivable Accrued interest receivable	- -	660	660
Accrued interest receivable			
Total current assets	475,488	309,489	784,977
Noncurrent assets:			
Capital assets:	474,982		474,982
Depreciable capital assets, net	4/4,902	14,337	14,337
Special assessments receivable			
Total noncurrent assets	474,982	14,337	489,319
Total assets	950,470	323,826	1,274,296
Liabilities:			
Current liabilities:	1.510		1,510
Accounts payable and accrued expenses	1,510		1,310
Total current liabilities	1,510		1,510
Noncurrent liabilities:			
Compensated absences payable	13,856		13,856
Total noncurrent liabilities	13,856		13,856
Total liabilities	15,366		15,366
Net assets:			454.000
Invested in capital assets, net of related debt	474,982	222 826	474,982 783,948
Unrestricted	460,122	323,826	
Total net assets	\$ 935,104	\$ 323,826	<u>\$ 1,258,930</u>

## PROPRIETARY FUNDS – INTERNAL SERVICE FUNDS

# COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS

	Motor Pool Fund	Special Assessment Revolving Fund	Total Internal Service Funds
Operating revenues: Equipment rental	\$ 230,655	\$ -	\$ 230,655
Total operating revenues	230,655		230,655
Operating expenses:	48,171	_	48,171
Personnel	20,547	_	20,547
Fringe benefits	3,985	_	3,985
Supplies	402	284	686
Contracted services	11,253	-	11,253
Insurance Utilities	23,683	-	23,683
Depreciation	91,533	_	91,533
Total operating expenses	199,574	284	199,858
Operating income (loss)	31,081	(284)	30,797
Non-operating revenues (expenses):	11,118	11,398	22,516
Interest income		11,570	
Total non-operating revenues (expenses)	11,118	11,398	22,516
Net income (loss)	42,199	11,114	53,313
Net assets, beginning of year, as restated	892,905	312,712	1,205,617
Net assets, end of year	\$ 935,104	\$ 323,826	\$ 1,258,930

## PROPRIETARY FUNDS – INTERNAL SERVICE FUNDS

# COMBINING STATEMENT OF CASH FLOWS

	Motor Pool Fund	Special Assessment Revolving Fund	Total Internal Service Funds
Cash flows from operating activities: Cash received from customers Cash received for interfund services Cash payments to employees Cash payments to suppliers for goods and services Net cash provided by operating activities	\$ - 230,655 (47,147) (58,702) 124,806	\$ 37,156 - (284) 36,872	\$ 37,156 230,655 (47,147) (58,986) 161,678
Cash flows from capital and related financing activities Acquisition and construction of capital assets  Net cash used by capital and related financing activities	(132,307) (132,307)		(132,307)
Cash flows from investing activities Interest received  Net cash provided by investing activities  Net increase in cash and cash equivalents  Cash and cash equivalents, beginning of year  Cash and cash equivalents, end of year	11,118 11,118 3,617 471,871 \$ 475,488	11,398 11,398 48,270 249,835 \$ 298,105	22,516 22,516 51,887 721,706 \$ 773,593
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities: Operating income (loss) Adjustments: Depreciation Change in assets and liabilities: Special assessments receivable Accrued interest receivable Accounts payable and accrued expenses Compensated absences payable Net cash provided by operating activities	\$ 31,081 91,533 - 1,168 1,024 \$ 124,806	\$ (284) - 37,816 (660) \$ 36,872	91,533 37,816

### **BUSINESS-TYPE ACTIVITIES**

## SCHEDULE OF INDEBTEDNESS

September 30, 2004

## 1994 GENERAL OBLIGATION UNLIMITED TAX REFUNDING BONDS

Issue Dated M 73.57% Bu	May 1, 1994 in the amount of siness-type; 26.43% Governmental	\$ 2,260,000
Business-type	e Activities - 73.57% of \$2,260,000	\$ 1,662,682
Less:	Principal paid in prior years Principal paid in current year	 (890,197) (242,781)
Balance pava	ble at September 30, 2004	\$ 529,704

Balance payable as follows:

Fiscal <u>Year Ended</u>	<u>Rate</u>	ncipal due vember 1	 erest due <u>vember 1</u>	 rest due <u>Iav 1</u>	<u>Total</u>
2005 2006	5.50% 5.00%	\$ 261,174 268,530	\$ 14,567 7,384	\$ 7,385	\$ 283,126 275,914
		\$ 529,704	\$ 21,951	\$ 7,385	\$ 559,040

## 1996 BUILDING AUTHORITY BONDS

Issue Dated 62.5441%	December 1, 1996 in the amount of Business-type; 37.4559% Component	\$ Unit	995,000
Business-typ	ne Activities - 62.5441% of \$995,000	\$	622,314
Less:	Principal paid in prior years Principal paid in current year Refunding of bonds		(137,597) (46,908) (437,809)
Balance payable at September 30, 2004			_

### **BUSINESS-TYPE ACTIVITIES**

## SCHEDULE OF INDEBTEDNESS

September 30, 2004

## 1996 GENERAL OBLIGATION SEWER SEPARATION BONDS

Issue Dated D	\$	1,500,000	
Less:	Principal paid in prior years Principal paid in current year Refunding of bonds		(200,000) (50,000) (1,250,000)
Balance payable at September 30, 2004			-

## 1992 SANITARY SEWAGE DISPOSAL REVENUE BONDS

Issue Dated December 1, 1992 in the amount of			550,000
Less:	Principal paid in prior years Principal paid in current year		(500,000) (50,000)
Balance payable at September 30, 2004			-

## 1989 REFUNDING WATER REVENUE BONDS

Issue Dated	\$	560,000	
Less:	Principal paid in prior years Principal paid in current year		(260,000) (35,000)
Balance payable at September 30, 2004			265,000

Balance payable as follows:

Fiscal <u>Year Ended</u>	<u>Rate</u>	icipal due <u>vember 1</u>	 erest due vember 1	2	erest due <u>May 1</u>	<u>Total</u>
2005	7.40%	\$ 35,000	\$ 9,920	\$	8,625	\$ 53,545
2006	7.50%	40,000	8,625		7,125	55,750
2007	7.50%	40,000	7,125		5,625	52,750
2008	7.50%	45,000	5,625		3,938	54,563
2009	7.50%	50,000	3,938		2,062	56,000
2010	7.50%	 55,000	 2,062			 57,062
		\$ 265,000	\$ 37,295	\$	27,375	\$ 329,670

### SCHEDULE OF INDEBTEDNESS

September 30, 2004

### 1998 SEWER SYSTEM REVENUE REFUNDING BONDS

Issue Dated 19	\$ 995,000	
Less:	Principal paid in prior years Principal paid in current year	 (220,000) (85,000)
Balance paval	\$ 690,000	

Balance payable as follows:

Fiscal Year Ended	<u>Rate</u>	erest due vember 1	erest due <u>May 1</u>	Pri	ncipal due <u>May 1</u>		<u>Total</u>
2005	4.25%	\$ 15,723	\$ 15,722	\$	80,000	\$	111,445
2006	4.30%	14,003	14,002		80,000		108,005
2007	4.45%	12,263	12,262		100,000		124,525
2007	4.50%	10,038	10,037		100,000		120,075
2008	4.60%	7,763	7,762		100,000		115,525
	4.65%	5,463	5,462		115,000		125,925
2010	4.05%	2,760	2,760		115,000		120,520
2011	4.7370	 2,700	 	-			
		\$ 68,013	\$ 68,007	\$	690,000	<u>\$</u>	826,020

#### 2001 SPECIAL ASSESSMENT LIMITED TAX BONDS

Issue Dated	\$ 150,000	
Less:	Principal paid in prior years Principal paid in current year	 (20,000) (15,000)
Balance pay	\$ 115,000	

Fiscal <u>Year Ended</u>	<u>Rate</u>	erest due e <u>tober 1</u>		terest due <u>April 1</u>		ncipal due <u>April 1</u>	<u>Total</u>
2005	4.75%	\$ 2,781	\$	2,781	\$	15,000	\$ 20,562
2006	4.75%	2,425		2,425		15,000	19,850
2007	4.75%	2,069		2,069		15,000	19,138
2007	4.75%	1,713		1,712		15,000	18,425
2009	4.75%	1,356		1,356		15,000	17,712
2019	5.00%	1,000		1,000		20,000	22,000
2010	5.00%	 500		500		20,000	 21,000
		\$ 11,844	<u>\$</u>	11,843	<u>\$</u>	115,000	\$ 138,687

### SCHEDULE OF INDEBTEDNESS

September 30, 2004

## 2002 STATE REVOLVING FUND BONDS, SERIES 2002

3,977,839 Issue Dated October 1, 2002 in the amount of 970,448 Proceeds received in current year Add: Principal paid in prior years Less: (195,000)Principal paid in current year 4,753,287

Balance payable at September 30, 2004

Fiscal <u>Year Ended</u>	<u>Rate</u>	Principal due <u>October 1</u>	Interest due <u>October 1</u>	Interest due <u>April 1</u>	<u>Total</u>
2005	2.50%	\$ -	\$ -	\$ 60,875	\$ 60,875
2006	2.50%	205,000	60,875	58,312	324,187
2007	2.50%	210,000	58,313	55,687	324,000
2008	2.50%	215,000	55,688	53,000	323,688
2009	2.50%	220,000	53,000	50,250	323,250
2010	2.50%	225,000	50,250	47,437	322,687
2011	2.50%	230,000	47,438	44,562	322,000
2012	2.50%	235,000	44,563	41,625	321,188
2012	2.50%	240,000		38,625	320,250
2014	2.50%	245,000		35,562	319,187
2015	2.50%	255,000		32,375	322,938
2015	2.50%	260,000		29,125	321,500
2017	2.50%	265,000		25,812	319,937
2017	2.50%	275,000		22,375	323,188
2019	2.50%	280,000		18,875	321,250
2019	2.50%	285,000		15,312	319,187
2021	2.50%	295,000		11,625	321,938
2022	2.50%	300,000		7,875	319,500
2022	2.50%	310,000		4,000	321,875
2023	2.50%	203,287		_	207,287
2023	2.3070			<b></b>	\$ 6,059,912
		<u>\$ 4,753,287</u>	\$ 653,316	\$ 653,309	\$ 6,059,912

### SCHEDULE OF INDEBTEDNESS

September 30, 2004

## 2002 GENERAL OBLIGATION CAPITAL IMPROVEMENT BONDS, SERIES 2002A

Issue Dated October 1, 2002 in the amount of \$\\$410,000

Less: Principal paid in prior years

Principal paid in current year \_\_\_\_\_\_

Balance payable at September 30, 2004 \$ 410,000

Dalance payable as	10110					
Fiscal <u>Year Ended</u>	<u>Rate</u>		cipal due c <u>tober 1</u>	erest due <u>ctober 1</u>	erest due <u>Ipril 1</u>	<u>Total</u>
2005	3.00%	\$	15,000	\$ 8,060	\$ 7,835	\$ 30,895
2006	3.00%	•	15,000	7,835	7,610	30,445
2007	3.25%		15,000	7,610	7,366	29,976
2007	3.25%		15,000	7,366	7,123	29,489
2009	3.50%		15,000	7,123	6,860	28,983
2010	3.50%		20,000	6,860	6,510	33,370
2011	3.55%		20,000	6,510	6,155	32,665
	3.60%		25,000	6,155	5,705	36,860
2012	3.65%		25,000	5,705	5,249	35,954
2013	3.80%		25,000	5,249	4,774	35,023
2014	3.90%		25,000	4,774	4,286	34,060
2015	4.00%		25,000	4,286	3,786	33,072
2016			25,000	3,786	3,268	32,054
2017	4.15%		25,000	3,268	2,730	30,998
2018	4.30%		30,000	2,730	2,070	34,800
2019	4.40%		30,000	2,070	1,395	33,465
2020	4.50%		•	1,395	705	32,100
2021	4.60%		30,000	-	-	30,705
2022	4.70%		30,000	 705	 	 50,,05
		\$	410,000	\$ 91,487	\$ 83,427	\$ 584,914

### SCHEDULE OF INDEBTEDNESS

September 30, 2004

# 2004 GENERAL OBLIGATION REFUNDING BONDS (UNLIMITED TAX)

Issue Dated February 10, 2004 in the amount of \$830,000

Less: Principal paid in prior years

Principal paid in current year \_\_\_\_\_\_

Balance payable at September 30, 2004 \$ 830,000

Fiscal Year Ended	<u>Rate</u>		ncipal due vember 1	erest due vember 1	In	terest due <u>May 1</u>		<u>Total</u>
2005	2.00%	\$	55,000	\$ 15,349	\$	10,036	\$	80,385
2006	2.00%	,	80,000	10,036		9,236		99,272
2007	2.00%		80,000	9,236		8,436		97,672
2007	2.00%		75,000	8,436		7,686		91,122
	2.125%		75,000	7,686		6,889		89,575
2009	2.50%		100,000	6,889		5,639		112,528
2010	2.75%		95,000	5,639		4,332		104,971
2011			95,000	4,332		2,907		102,239
2012	3.00%		90,000	2,907		1,445		94,352
2013	3.25%		,	1,445		-		86,445
2014	3.40%		85,000	 1,443				
		\$	830,000	\$ 71,955	\$	56,606	<u>\$</u>	958,561

### SCHEDULE OF INDEBTEDNESS

September 30, 2004

# 2004 BUILDING AUTHORITY REFUNDING BONDS (LIMITED TAX GENERAL OBLIGATIO)

Issue Dated February 10, 2004 in the amount of \$1,160,000 35.78% Governmental; 40.16% Business-type; 24.06% Component Unit

Business-type Activities - 40.16% of \$1,160,000 \$ 465,954

Less: Principal paid in prior years

Principal paid in current year

Balance payable at September 30, 2004 \$ 465,954

Fiscal Year Ended	<u>Rate</u>	ncipal due vember 1	erest due vember 1	In	terest due <u>May 1</u>		<u>Total</u>
2005	2.00%	\$ 62,248	\$ 7,576	\$	4,602	\$	74,426
2006	2.00%	60,240	4,602		4,000		68,842
2007	2.00%	60,240	4,000		3,397		67,637
2007	2.00%	62,248	3,397		2,775		68,420
2008	2.125%	70,280	2,775		2,028		75,083
	2.12376	72,288	2,028		1,124		75,440
2010	2.75%	40,160	1,124		572		41,856
2011	3.00%	38,250	572		-		38,822
2012	3.00%	 30,230	 	-			
		\$ 465,954	\$ 26,074	<u>\$</u>	18,498	<u>\$</u>	510,526

## SCHEDULE OF INDEBTEDNESS

September 30, 2004

## 1992 MICHIGAN TRANSPORTATION FUND (LTGO)

Issue Dated	\$ 355,000	
Less:	Principal paid in prior years Principal paid in current year	 (230,000) (30,000)
Balance pay	able at September 30, 2004	\$ 95,000

Balance payable as follows:

Fiscal Year Ended	<u>Rate</u>	erest due vember 1	 rest due <u>Iay 1</u>	cipal due <u>May 1</u>		<u>Total</u>
2005 2006 2007	6.00% 6.00% 6.00%	\$ 2,835 1,950 1,050	\$ 2,835 1,950 1,050	\$ 30,000 30,000 35,000	\$	35,670 33,900 37,100
		\$ 5,835	\$ 5,835	\$ 95,000	<u>\$</u>	106,670

#### 1994 BUILDING AUTHORITY BONDS

Issue Dated	\$ 800,000	
Less:	Principal paid in prior years Principal paid in current year Refunding of bonds	 (355,000) (55,000) (390,000)
Balance pay	\$ _	

## SCHEDULE OF INDEBTEDNESS

September 30, 2004

# 1994 GENERAL OBLIGATION UNLIMITED TAX REFUNDING BONDS

Issue Dated M 73.57% Bus	\$ 2,260,000	
Governmental	Activities - 26.43% of \$2,260,000	\$ 597,318
Less:	Principal paid in prior years Principal paid in current year	 (319,803) (87,219)
Balance payab	\$ 190,296	

Balance payable as follows:

Fiscal Year End <u>ed</u>	<u>Rate</u>	icipal due vember 1	erest due vember 1	_	rest due <u>Iay 1</u>		<u>Total</u>
2005 2006	5.50% 5.00%	\$ 93,827 96,469	\$ 5,233 2,653	\$	2,653	\$	101,713 99,122
2000	3.0070	\$ 190,296	\$ 7,886	\$	2,653	<u>\$</u>	200,835

## 1997 GENERAL OBLIGATION LIMITED TAX BONDS

Issue Dated	Issue Dated September 1, 1997 in the amount of				
Less:	Principal paid in prior years Principal paid in current year		(50,000) (10,000)		
Balance pay	able at September 30, 2004	<u>\$</u>	40,000		

Fiscal Year <u>Ended</u>	<u>Rate</u>	cipal due vember 1	rest due e <u>mber 1</u>	erest due <u>May 1</u>	<u>Total</u>
2005 2006 2007 2008	4.80% 4.90% 5.00% 5.10%	\$ 10,000 10,000 10,000 10,000	\$ 978 740 498 250	\$ 740 497 250	\$ 11,718 11,237 10,748 10,250
		\$ 40,000	\$ 2,466	\$ 1,487	\$ 43,953

### SCHEDULE OF INDEBTEDNESS

September 30, 2004

### 1999 BUILDING AUTHORITY BONDS

Issue Dated June 1, 1999 in the amount of \$995,000

Less: Principal paid in prior years (185,000)

Principal paid in current year (50,000)

Balance payable at September 30, 2004 \$760,000

Fiscal Year <u>Ended</u>	<u>Rate</u>	ncipal due vember 1	erest due <u>vember 1</u>	In	terest due <u>May 1</u>	<u>Total</u>
2005 2006 2007 2008 2009	4.60% 4.60% 4.65% 4.65% 4.55%	\$ 55,000 55,000 60,000 60,000 65,000	\$ 17,552 16,287 15,022 13,627 12,232	\$	16,286 15,021 13,626 12,231 10,753	\$ 88,838 86,308 88,648 85,858 87,985 89,888
2010 2011 2012 2013 2014 2015	4.625% 4.625% 4.625% 4.625% 4.625% 4.625%	 70,000 70,000 75,000 80,000 85,000	 10,754 9,135 7,516 5,782 3,931 1,966		9,134 7,515 5,781 3,931 1,966	 86,650 88,297 89,713 90,897 86,966
		\$ 760,000	\$ 113,804	\$	96,244	\$ 970,048

### SCHEDULE OF INDEBTEDNESS

September 30, 2004

# 2004 BUILDING AUTHORITY REFUNDING BONDS (LIMITED TAX GENERAL OBLIGATIO)

Issue Dated February 10, 2004 in the amount of \$1,160,000 35.78% Governmental; 40.16% Business-type; 24.06% Component Unit

Governmental Activities - 35.78% of \$1,160,000 \$ 415,000

Less: Principal paid in prior years

Principal paid in current year \_\_\_\_\_\_

Balance payable at September 30, 2004 <u>\$ 415,000</u>

Balance payable as	ionows.					
Fiscal <u>Year Ended</u>	<u>Rate</u>	icipal due vember <u>1</u>	_	erest due v <u>ember 1</u>	erest due <u>May 1</u>	<u>Total</u>
2005 2006 2007 2008 2009 2010 2011 2012	2.00% 2.00% 2.00% 2.00% 2.125% 2.50% 2.75% 3.00%	\$  55,459 53,670 53,670 55,459 62,615 64,404 35,780 33,943	\$ 	6,749 4,100 3,563 3,027 2,472 1,807 1,002 510	\$ 4,100 3,563 3,027 2,472 1,807 1,002 510	\$  66,308 61,333 60,260 60,958 66,894 67,213 37,292 34,453

## SCHEDULE OF INDEBTEDNESS

September 30, 2004

#### 1997 SPECIAL ASSESSMENT BONDS

Issue Dated	Issue Dated September 1, 1997 in the amount of				
Less:	Principal paid in prior years Principal paid in current year		(105,000) (25,000)		
Balance pay	able at September 30, 2004	\$	90,000		

#### Balance payable as follows:

Fiscal  Year Ended	<u>Rate</u>	icipal due vember 1	erest due e <u>ember 1</u>		erest due <u>May 1</u>	<u>Total</u>
2005 2006 2007 2008	4.75% 4.85% 4.95% 5.00%	\$ 25,000 25,000 20,000 20,000	\$ 2,195 1,601 995 500	\$	1,601 995 500	\$ 28,796 27,596 21,495 20,500
		\$ 90,000	\$ 5,291	<u>\$</u>	3,096	\$ 98,387

#### POSTAGE METER

Fiscal <u>Year Ended</u>	<u>Rate</u>	cipal due gust 31	 est due ust 31		<u>Total</u>
2005 2006	8.762% 8.762%	\$ 1,671 1,747	\$ 129 53	\$	1,800 1,800
		\$ 3,418	\$ 182	<u>\$</u>	3,600

#### COMPONENT UNITS

### SCHEDULE OF INDEBTEDNESS

September 30, 2004

### 1996 BUILDING AUTHORITY BONDS

Issue Dated De 62.5441% B	ecember 1, 1996 in the amount of usiness-type; 37.4559% Component	\$ Unit	995,000
Component U	nit - 37.4559% of \$995,000 Issue	\$	372,686
Less:	Principal paid in prior years Principal paid in current year Refunding of bonds		(82,403) (28,092) (262,191)
Balance payab			

# 2004 BUILDING AUTHORITY REFUNDING BONDS (LIMITED TAX GENERAL OBLIGATION)

Issue Dated February 10, 2004 in the amount of \$1,160,000 35.78% Governmental; 40.16% Business-type; 24.06% Component Unit

Component Units - 24.06% of \$1,160,000 \$ 279,046

Less: Principal paid in prior years Principal paid in current year 
Balance payable at September 30, 2004 \$ 279,046

Fiscal Year <u>Ended</u>	<u>Rate</u>	ecipal due v <u>ember 1</u>	erest due vember 1	 rest due <u>Iay 1</u>	<u>Total</u>
2005 2006 2007 2008 2009 2010 2011 2012	2.00% 2.00% 2.00% 2.00% 2.125% 2.50% 2.75% 3.00%	\$  37,293 36,090 36,090 37,293 42,105 43,308 24,060 22,807 279,046	\$ 4,539 2,757 2,396 2,035 1,662 1,215 674 343	\$ 2,757 2,396 2,035 1,662 1,215 674 343 -	\$  44,589 41,243 40,521 40,990 44,982 45,197 25,077 23,150 305,749



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#### MANAGEMENT LETTER

To the Honorable Mayor and Members of City Council City of St. Clair, Michigan

We have completed our audit of the financial statements of the City of St. Clair for the year ended September 30, 2004, and have issued our report thereon dated December 8, 2004. As part of our examination, we made a study and evaluation of the City's system of internal accounting control to the extent we considered necessary to evaluate the system as required by generally accepted auditing standards. The purpose of our study and evaluation was to determine the nature, timing, and extent of the auditing procedures necessary for expressing an opinion on the City's financial statements. Our study and evaluation was more limited than would be necessary to express an opinion on the system of internal accounting control taken as a whole.

The City's administration is responsible for establishing and maintaining a system of internal accounting control. In fulfilling this responsibility, estimates and judgments by the administration are required to assess the expected benefits and related costs of control procedures. The objectives of a system are to provide the administration with reasonable, but not absolute assurance that assets are safeguarded against unauthorized use or disposition and that transactions are executed in accordance with the administration's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles.

Because of inherent limitations in any system of internal accounting control, errors or irregularities may, nevertheless, occur and not be detected. Also, projection of any evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or the degree of compliance with the procedures may deteriorate.

Our study and evaluation made for the limited purpose described in the first paragraph would not necessarily disclose all material weaknesses in the system. Accordingly, we do not express an opinion on the system of internal accounting control of the City of St. Clair taken as a whole. Our study and evaluation disclosed no conditions that we believe to be material weaknesses. However, we did note the following.

There were several balance sheet accounts that were not reconciled at year end to the detailed records of the accounts. Reconciliation of all balance sheet accounts is essential to providing accurate and reliable financial results.

There were 45 adjusting journal entries required at September 30, 2004 to adjust account balances, many of which, were to properly state the ending balance of accounts at September 30, 2004.

We recommend that all accounts be reconciled to subsidiary ledgers or other detailed records on a monthly basis and especially at year end.

This report is intended solely for the use of the City management and should not be used for any other purpose.

We wish to extend our appreciation to you and your staff for the assistance accorded us during our examination.

Sincerely,

Berthiaume of &. Berthiaume & Company

Certified Public Accountants

December 8, 2004

